Falconbridge Limited

Annual Report 1999

We take metal products for granted. We assume that lights will turn on, computers will function and planes will fly. In fact, the metals that enhance our everyday life are the product of years of exploration and expertise in mining, smelting, refining and marketing. Throughout this report, you will find examples of metal products that inspire us, protect us, transport us and announce us.

Corporate Profile

Falconbridge is a leading low-cost producer of nickel, copper, cobalt and platinum group metals. We are also one of the world's largest recyclers and processors of metal-bearing materials.

Falconbridge is committed to developing profitable, long-life, safe and environmentally responsible operations for the benefit of our shareholders, employees and the communities in which we operate.

Falconbridge entered the mining business in 1928 and today employs 6,400 people in 14 countries. Our shares are listed on the Toronto Stock Exchange under the symbol FL. As of December 31, 1999, Noranda Inc. owned 49.9% of Falconbridge's common shares.

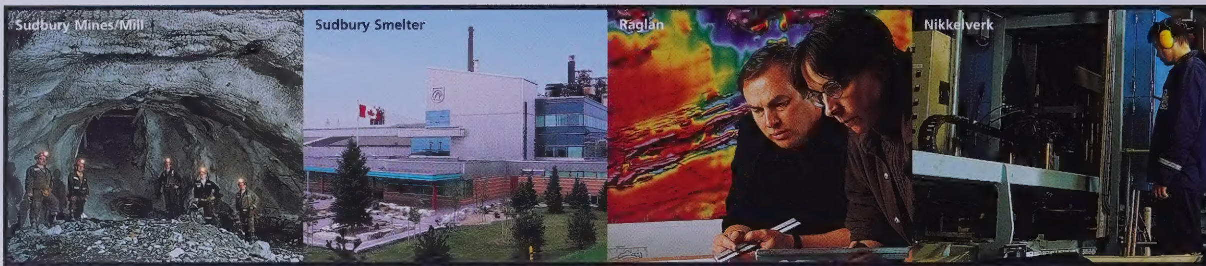
What's inside

Falconbridge is committed to the responsible and profitable growth of our core nickel and copper businesses. Our goal is to enhance shareholder value through a minimum 12 per cent return on equity over the business cycle.

our strategy

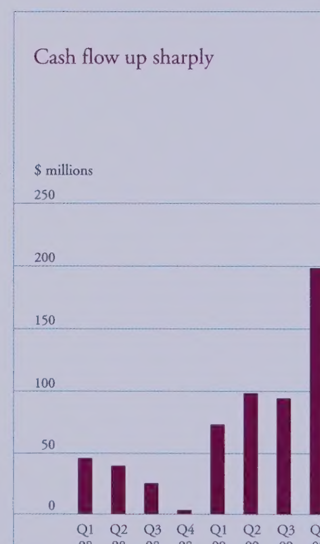
Our strategy to attain this goal is to:

1. Continuously improve our operating efficiencies to reduce our costs;
2. Obtain maximum returns on our existing assets;
3. Be opportunistic in businesses that are compatible with our core competencies;
4. Obtain, develop and mine high quality ore reserves.



Financial highlights

Millions except per share data		1999		1998
Operating Highlights				
Revenues	$	2,173	$	1,674
Operating income (loss)		257		(20)
Earnings (loss)		153		(36)
Cash provided by operating activities before working capital changes		455		107
Capital expenditures		148		647
Financial Position at December 31st				
Cash and cash equivalents		101		100
Working capital		527		425
Total assets		4,737		4,799
Long-term debt		1,575		1,726
Shareholders' equity		2,395		2,318
– ratio of net debt to net debt plus equity		38%		41%
Per Common Share				
Earnings (loss)	$	0.80	$	(0.24)
Cash provided by operating activities before working capital changes		2.51		0.57
Book value		12.41		12.01
Shares outstanding		177.0		177.0



Operational highlights

- Collahuasi reached commercial production levels in January and was officially opened in April.
- Raglan completed its first full year of operation.
- Evaluation work at the Koniambo project in New Caledonia has identified resources of 132.4 million tonnes, grading 2.46% nickel.
- Falcondo returned to full production in March and received ISO14001 environmental certification in October, making it the first nickel production facility in the world to attain this status.

Integrated Nickel Operations

Sudbury: Mines and mills nickel-copper ores from four mines (Craig, Fraser, Lindsley and Lockerby). Smelts nickel-copper concentrate from Sudbury's mines and from Raglan, and processes custom feed materials. Sudbury, Ontario.

Raglan: Mines and mills nickel-copper ores from open pits and an underground mine. Nunavik territory, northern Quebec.

Nikkelverk: Refines nickel, copper, cobalt, precious and platinum group metals from Sudbury, Raglan, and from custom feeds. Kristiansand, Norway.

Custom Feed: Acquires custom feeds for processing in Sudbury and Nikkelverk. Brussels, Belgium; Pittsburgh, Pennsylvania; Christ Church, Barbados.

Marketing and Sales: Markets and sells nickel, cobalt and other Falconbridge products worldwide. Brussels, Belgium; Pittsburgh, Pennsylvania; Tokyo, Japan.

Kidd Creek Operations

Kidd Mining Division: Mines copper-zinc ores from the Kidd Mine. Timmins, Ontario

Kidd Metallurgical Division: Mills, smelts and refines copper-zinc ores from the Kidd Mine and processes Sudbury copper concentrate and custom feed materials, including some Collahuasi feed. Timmins, Ontario.

Falcondo

Falconbridge Dominicana, C. por A.: Mines, mills, smelts and refines its own nickel laterite ores. Bonao, Dominican Republic.

Collahuasi

Compañia Minera Doña Inés de Collahuasi S.C.M.: Mine in northern Chile in which Falconbridge has a 44% interest. Mines and mills copper sulphide ores into concentrate; mines and leaches copper oxide ores to produce cathodes. Santiago, Chile.

Corporate

Corporate Office: Toronto, Ontario.

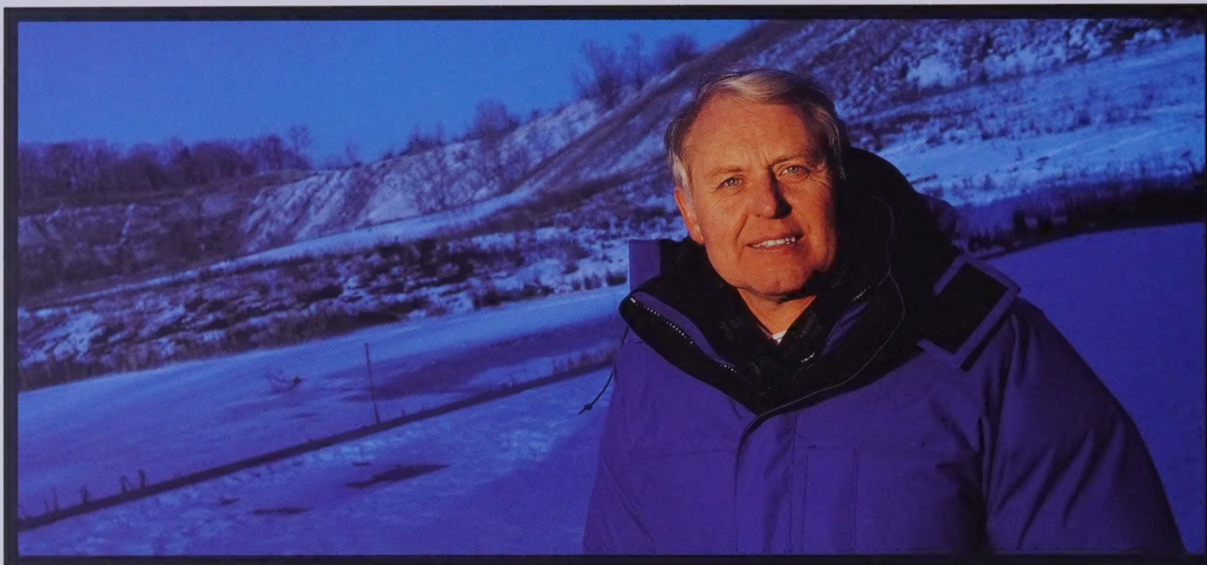
Exploration Offices: Winnipeg, Manitoba; Sudbury, Timmins and Toronto, Ontario; Montréal, Quebec; Pretoria, South Africa; Rio de Janeiro, Brazil; Moscow, Russia; Brisbane, Australia; Abidjan, Côte d'Ivoire.

Project Offices: Kone & Nouméa, New Caledonia.

Business Development: Searches worldwide for attractive investment opportunities to support Falconbridge's business plans. Toronto, Ontario.

Technology: Research, development and engineering is conducted in Kristiansand, Norway; Bonao, Dominican Republic; Sudbury and Timmins, Ontario.

- Sudbury Division began reorganizing into separate mines/mill and smelter business units. This will result in a more efficient and competitive organization.
- In spite of a 26-day strike, the Kidd Metallurgical Division's copper refinery set a new annual production record of 121,300 tonnes of cathode.
- Nikkelverk produced a record 74,100 tonnes of nickel and 4,000 tonnes of cobalt in 1999.



An interview with Øyvind Hushovd

Q: What were the key highlights for Falconbridge in 1999?

A: The highlight of the year was officially opening Collahuasi and bringing it into commercial production. With both Collahuasi and Raglan now operating at capacity, and with our major cost reductions behind us, we are well positioned to benefit from the stronger economy and higher metal prices. Another key highlight was Falcondo's ISO14001 environmental certification. Falcondo was the first nickel production facility in the world to achieve this status.

Q: What are your expectations for the coming year?

A: Overall, 2000 should be a great year for Falconbridge. Demand for our metals is expected to be strong, with synchronized growth in our major market areas. With the improved outlook for most of our metals, we are looking forward to continued growth in our earnings and cash flow.

One of the most important factors in our confidence is the high caliber of our people. Our employees have demonstrated time and again their ability to produce strong results in all kinds of economic conditions.

Our Goals for 1999

- Continue optimizing production at Raglan and Collahuasi
- Continue reducing costs and improving productivity at all operations
- Complete feasibility study on Onaping Depth in Sudbury
- Move forward on rationalization plans with Inco in Sudbury
- Complete evaluation of the Gope diamond project
- Proceed with feasibility work on the Koniambo project in New Caledonia
- Keep momentum on longer-term projects and continue to look for new business opportunities

Q: What cost improvements were made in 1999?

A: Overall, we are working more efficiently and our cost structures are improving – but 1999 was a mixed year for us in terms of results. Both Raglan and Collahuasi had a good year, with Collahuasi in particular posting impressive results. The forecast cash operating cost in the feasibility study for Collahuasi was U.S.45¢ per pound of copper and the actual cost was U.S.38¢. Operating costs at our other operations were impacted by a number of factors – at Falcondo it was higher oil prices, at Kidd it was lower revenues from the treatment of outside feeds, and at Sudbury it was lower grades and lower throughput than planned at the smelter. These factors offset the overall improvements we've made in reducing our unit costs. However, our efforts will continue and our operations will remain focused on their long-term cost objectives.

Q: What are your future plans for Raglan now that it is operational?

A: Our immediate goal is to increase annual milling capacity from 800,000 tonnes to 1 million tonnes of ore. Raglan operated at a cash cost of U.S.$1.51 per pound of nickel in 1999 and at the 1 million tonne rate, we should be able to lower costs to less than U.S.$1.20. This expansion would be relatively low cost and would increase Raglan's annual rated capacity from 21,000 tonnes to 26,000 tonnes of nickel. Assuming we continue to increase Raglan's reserve base, the next step would be to meet with various Inuit representatives to discuss the expansion of Raglan's capacity above 30,000 tonnes of nickel annually.

Q: Falconbridge is focused on profitable growth in nickel and copper. What progress have you made in meeting these goals?

A: Our near-term goals for copper have been met with our investment in Collahuasi. Right now, our focus is on the nickel side of our business.

We plan to spend more on exploration at Raglan this year. We've increased the exploration budget there by 43% and we're hoping to extend Raglan's drilling season from four to eight months. In New Caledonia, the drilling program got underway at Koniambo – one of the world's best nickel resources – and we set up project offices in Kone and Nouméa. We have confirmed that there are 132 million tonnes of saprolitic resources grading 2.46% nickel. We are currently delineating how much additional limonitic resources Koniambo holds. We're conducting extensive

Our progress

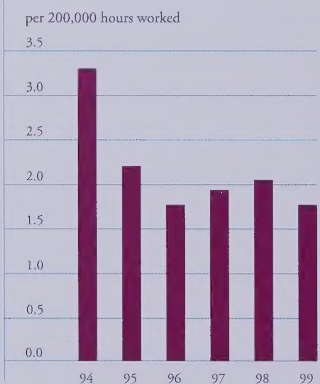
- Raglan and Collahuasi now operating at capacity
- Cost structures improved at all operations
- Onaping Depth decision targeted for mid-2000
- Mining agreement reached with Inco on Lockerby/Lower Ellen mines; agreement to consolidate purchases where appropriate
- Gope draft feasibility study completed and under review by shareholders
- Reserve evaluation, metallurgical testwork and environmental baseline studies underway at Koniambo
- Falconbridge actively pursuing attractive business opportunities

research and testwork at several locations, including our pilot plant at the Falconbridge Technology Centre in Sudbury, to identify the metallurgical options for this project. The timeframe for a decision to develop Koniambo is within the next three to four years.

Q: Now that Falconbridge has completed its heavy capital investment in Raglan and Collahuasi, what are your short-term financial objectives?

A: Mining is a cyclical business, and we must have the discipline to keep our competitive edge at all times. Throughout 1999, we have improved our operating efficiencies, while the size of our business has grown. We want to get a return for our shareholders and strengthen our balance sheet before we commit to new investments. We plan to use part of our expected operating cash flow of $800 million to reduce our $1.6 billion debt. Our near-term capital expenditures will fall to $250 million annually. The capital will be used to sustain and develop our existing operations and keep momentum on our long-term prospects.

Falconbridge group average frequency rate of lost-time injuries



Q: Noranda owns 49.9% of Falconbridge and has stated its intention to own even more of the company. How does this affect Falconbridge's business plans?

A: Our plans remain unchanged. We will continue to grow and develop our core nickel and copper businesses. Our goal is to achieve a minimum 12% return on our equity. To achieve this we have established clear strategic objectives and developed a performance-oriented culture focused on creating maximum value for our shareholders.

Q: We saw a lot of consolidation within the mining industry this past year. Do you think this will generate better market discipline?

A: Mining companies haven't been very successful in practicing capital discipline or generating shareholder value, compared to some other sectors. It isn't consolidation alone that will turn things around – only individual producer action can improve long-term profitability in our sector.

Our goals for 2000

- Complete feasibility studies on Onaping Depth and Kidd Deep projects
- Achieve long-term efficiency and cost objectives set by each operation
- Move to the pre-feasibility stage at Koniambo by late 2000
- Increase Raglan's annual milling capacity from 800,000 tonnes to one million tonnes of ore
- Continue to focus on nickel and copper while seeking new business opportunities

our strategy in action

Our goal is to enhance shareholder value through a minimum 12% return on equity over the business cycle. With the support of our employees, we will accomplish this by focusing on high quality and long-life ore bodies, by optimizing production from our current assets, and by preparing to take advantage of market opportunities when they present themselves.

Cell phones, satellites and high speed internet connections. What do all of these things have in common? Copper. It has been an essential part of everyday life for generations and as the world becomes more "wired", its uses are growing.

strategy in action

Site: Kidd copper smelter

Employees: Petter Elvestad, Eugene Mailloux and Arun Majumdar

Activity: Inspecting the newly rebuilt converting furnace walls

Near the end of 1999, the copper smelter at Kidd Metallurgical Division underwent a major shutdown to upgrade its converting furnace. This work will extend the furnace's life, increase productivity and also reduce operating costs. Kidd achieved its 28¢ cash cost target for producing a pound of copper and zinc, prior to the strike in July of 1999. The division has now set a new target of 25¢ per pound by 2005.

In 1999, the Kidd Mining Division introduced its plan to reduce total mining costs from $43 to $35 per tonne of ore in 2000. This cost reduction program includes the rationalization of infrastructure and the monitoring of performance against key indicators.

one

We will improve our operating efficiencies to reduce our costs To increase our profitability, we must intensify our efforts to run extremely efficient, low-cost operations. This will provide us with the financial capacity to grow our company further.

strategy in action

Site: **Lindsley Mine, Sudbury**

Employee: **Jerome Strickland**

Activity: **Operating a mechanized rock bolter – a safe and efficient ground support machine**

The Lindsley mine in Sudbury has cut its mining costs in half and doubled its production – all with the same number of employees and an outstanding safety record. This is just one example of how Sudbury is improving its overall cost structure and operating performance.

Other efforts include the ongoing rationalization of the Division into two separate units – the Mines/Mill and the Smelter – to create a leaner, more effective organization. Detailed initiatives are also underway to improve mill recoveries and smelter performance, increase ore reserves, rationalize infrastructure, and reduce administration. These efforts will enhance Sudbury's long-term viability and competitive position.

strategy in action

Site: Raglan

Employees: Ken Germain, Marc Bilodeau and Gertjan Bekkers

Activity: Reviewing plans to increase production from Zone 3 of the open pit

Raglan completed its first full year of operation in 1999. Most of the year was spent fine-tuning the plant processes and increasing mine production to achieve the annual rated capacity of 800,000 tonnes of ore.

Those efforts will continue as Raglan's capacity is expanded over the next year to the one million tonne level, at a capital cost of $25 million. This will increase Raglan's annual nickel capacity from 21,000 tonnes to approximately 26,000 tonnes and substantially reduce its operating costs. To increase Raglan's reserve base and support its long-term production expansion to above 30,000 tonnes of nickel annually, exploration expenditures will increase from $7 million to $10 million and the drilling season will be extended from four to eight months.

two

We will obtain maximum returns on existing assets

Profitable growth in other parts of our business is dependent upon optimizing production from our current operations. We will accomplish this by improving our processes and expanding our production capacities.

strategy in action

Site: **Collahuasi, Oxide Plant**

Employee: **Claudio Enrique Yañez Maluenda**

Activity: **Preparing high-quality sheets of copper cathode for world markets**

Collahuasi's performance exceeded all expectations during its first full year of operation. It produced 435,000 tonnes of copper during 1999 at an average cash cost of U.S.38¢ per pound – surpassing both the production and cost targets forecasted in the feasibility study. Falconbridge's share of Collahuasi's output increases our annual copper mine production to approximately 300,000 tonnes.

In 2000, Collahuasi will continue to de-bottleneck its processes in order to increase production beyond the original plant design capacity. As a consequence of mining lower ore grades, Collahuasi's cash operating costs will increase but will remain below U.S.45¢ per pound. Collahuasi is in the process of securing LME registration for its copper cathode.

Collahuasi has extensive expansion potential but it will be three to four years before a decision is made about expanding the mine.

strategy in action

Site: **Pilot plant – Falconbridge Technology Centre**

Employee: **Shawn Hoffman and Dennis Nicholson**

Activity: **Discussing pilot plant results of our leaching technology testwork**

The Falconbridge Technology Centre (FTC) plays a key role in supporting our business strategy. For over three years, a pilot plant team has been working to develop leaching technology to treat laterite ores. With our exposure to laterites in the Dominican Republic, New Caledonia and Côte d'Ivoire – and our experience in operating the chlorine leaching process at our refinery in Norway – we are aware of both the challenges and opportunities created by this new technology.

What other businesses are compatible with our core competencies? Beyond nickel and copper, we plan to expand our profitable custom feed business – especially the recycling component – and, we might consider a potential entry into a related metals business.

three

We will be opportunistic in businesses that are compatible with our core competencies Falconbridge is capitalizing on its business strengths to meet its stringent financial goals. Our technical competence and our ability to interact positively with our surroundings give us a competitive advantage we plan to exploit further.

strategy in action

Site: New Caledonia

Employees: David Massard and Edouard Kici

Activity: Surveying the Koniambo massif in the north province of the island

Falconbridge is investigating a broad range of nickel and copper opportunities. Along with the potential expansions of Raglan and Collahuasi, we are also studying the feasibility of new projects in Sudbury, Timmins, New Caledonia and Côte d'Ivoire.

Our most advanced project is the Koniambo deposit in New Caledonia. Work continues on evaluating the deposit – ranked as one of the best in the world – for a potential 54,000 tonne per year nickel in ferronickel mining operation. To date, 132 million tonnes of saprolitic resources grading 2.46% nickel have been identified and we are evaluating how much additional limonitic resources the deposit contains. We are preparing to launch a pre-feasibility study in 2000, which is part of the overall feasibility work to be completed over the next three years.

four

We will obtain, develop and mine high quality ore reserves

Profitable growth at Falconbridge is dependent upon operating high quality and long-life ore reserves. Our current operations have met this criteria. A key challenge for the future will be [illegible] finding viable and suitable growth initiatives that enhance shareholder value.

Summary of Ore Reserves/Mineral Resources [1]

DECEMBER 31, 1999

Operation	Percentage Ownership	Reserve/Resource Category	Thousand Tonnes	% Nickel	% Copper	% Zinc	g/t Silver
Reserves							
Sudbury	100%	Proven	10,403	1.60	1.31	–	–
		Probable	9,099	1.44	1.39	–	–
		Total	19,502	1.53	1.35	–	–
		Possible	3,756	0.99	1.31	–	–
Raglan	100%	Proven	7,407	2.97	0.78	–	–
		Probable	12,291	2.73	0.76	–	–
		Total	19,698	2.82	0.77	–	–
		Possible	–	–	–	–	–
Kidd Creek	100%	Proven	19,213	–	2.29	5.57	66
		Probable	10,311	–	2.26	6.94	54
		Total	29,524	–	2.28	6.05	62
		Possible	1,472	–	3.43	3.76	63
Falcondo[2]	85.26%	Proven	53,628	1.21	–	–	–
		Probable	1,625	1.17	–	–	–
		Total	55,253	1.21	–	–	–
		Possible	16,746	1.20	–	–	–
Collahuasi[2]	44%	Proven	818,351	–	0.82	–	–
		Probable	1,059,062	–	0.84	–	–
		Total	1,877,413	–	0.83	–	–
		Possible	111,811	–	0.60	–	–
Resources (In addition to Reserves)							
Sudbury	100%	Measured	130	1.76	0.55	–	–
		Indicated	21,215	2.48	1.19	–	–
		Total	21,345	2.48	1.19	–	–
		Inferred	14,867	1.77	2.04	–	–
Raglan	100%	Measured	–	–	–	–	–
		Indicated	2,215	1.88	0.73	–	–
		Total	2,215	1.88	0.73	–	–
		Inferred	3,269	2.44	0.84	–	–
Kidd Creek	100%	Measured	51	–	2.02	7.57	49
		Indicated	348	–	2.06	6.69	30
		Total	399	–	2.05	6.80	32
		Inferred	12,272	–	3.11	5.10	96
Falcondo[2]	85.26%	Measured	–	–	–	–	–
		Indicated	12,840	1.65	–	–	–
		Total	12,840	1.65	–	–	–
		Inferred	6,411	1.44	–	–	–
Collahuasi[2]	44%	Measured	40,471	–	0.42	–	–
		Indicated	163,139	–	0.79	–	–
		Total	203,610	–	0.72	–	–
		Inferred	1,272,211	–	0.73	–	–

NOTES

1. THE RESERVE/RESOURCE ESTIMATES CONFORM TO THE REPORTING REQUIREMENTS OF THE PROPOSED NATIONAL INSTRUMENT 43-101, *STANDARDS OF DISCLOSURE OF MINERAL EXPLORATION AND DEVELOPMENT AND MINING PROPERTIES*, AND THE PROPOSED COMPANION POLICY 43-101CP OF THE CANADIAN SECURITIES ADMINISTRATORS, AND THE *DISCLOSURE STANDARDS FOR COMPANIES ENGAGED IN MINERAL EXPLORATION, DEVELOPMENT AND PRODUCTION* OF THE TORONTO STOCK EXCHANGE.
2. THE RESERVES AND RESOURCES AT COLLAHUASI AND FALCONDO ARE SHOWN ON A 100% BASIS.

management's discussion

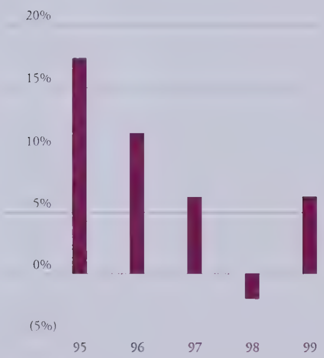
This analysis provides management's perspective on the financial position of Falconbridge as of December 31, 1999. Also included are results of operations and exploration and other developments. Future opportunities and uncertainties facing the Corporation are discussed.

When it comes to our health we demand a lot. The unique properties of stainless steel – a nickel alloy – mean that medical instruments can be properly sterilized and used to perform life-saving surgery.

Overview

In 1999, Falconbridge Limited established a solid foundation for continued growth. Both Collahuasi and Raglan operated at capacity, almost doubling Falconbridge's mine production capacity. This, combined with ongoing initiatives to improve productivity and reduce costs, bodes well for strong financial performance in the years ahead.

Falconbridge target – 12% return on equity over the cycle



Falconbridge's objective going forward is to enhance shareholder value through improved return on equity. The Corporation's target is to produce a minimum 12% return on equity over the business cycle. To achieve this goal, Falconbridge will continuously improve operating efficiencies to reduce costs, obtain maximum returns on existing assets, be opportunistic in businesses compatible with its core competencies, and obtain, develop and mine high quality ore reserves. In 1999, the Corporation achieved a 6% return on equity.

In addition to increased profitability, Falconbridge's stated objective is to maintain a strong balance sheet throughout the business cycle, with a targeted net debt to net debt plus equity ratio of between 25% and 35%. By maintaining a sound financial structure, the Corporation possesses the ability to invest in essential capital expenditure programs also in times of weak metal prices and the flexibility to capitalize on growth opportunities as they arise. In 1999, the Corporation's balance sheet improved as the ratio of net debt to net debt plus equity was reduced to 38% from 41% last year, working capital grew 24% and cash resources rose to $101.5 million.

Based on current metal prices, planned production levels and anticipated capital expenditures, Falconbridge anticipates meeting its targeted return on equity and net debt to net debt plus equity ratio in the year 2000.

The following discussion provides a review of the financial performance and position of Falconbridge for the years ended December 31, 1999 and 1998. This discussion should be read in conjunction with the Corporation's audited financial statements and notes to those statements. All amounts are expressed in Canadian dollars, except where indicated. In addition, this discussion contains certain forward-looking statements regarding Falconbridge's businesses and operations. Actual results may differ materially from those contemplated by these statements depending on, among others, such key factors as supply and demand for metals to be produced, production levels, and metals prices.

Results of Operations

Falconbridge's cash flow from operations before working capital changes increased more than four-fold, from $107 million in 1998 to $455 million in 1999.

Revenues for the year ended December 31, 1999 increased by $499.7 million or 30% to $2,173.5 million primarily due to the consolidation of new copper production from Collahuasi and higher precious metals and nickel production from Raglan. Revenues for fiscal 1998 included only one month of sales from Raglan and no contribution from Collahuasi. In addition, selling prices increased steadily throughout the year as demand for nickel, copper and zinc rose due to improved market fundamentals compared to last year. Nickel prices on the London Metal Exchange (LME) started 1999 at U.S.$1.86 a pound and ended the year at U.S.$3.83 a pound. The realized nickel price in 1999 increased by 25% from 1998 levels.

Operating income of $257.2 million in 1999 improved by $277.2 million from an operating loss of $20.0 million in 1998. This increase in operating performance was due primarily to the following:

- Costs of metal and other product sales as a percentage of revenues improved to 68% from 81% in 1998 due to the increase in margins from the new Collahuasi and Raglan projects and improved cost performance at other operations.
- Selling, general and administrative costs as a percentage of revenues remained at 5% of revenues in 1999. The increase of $18.5 million was primarily due to the additional production from Collahuasi and Raglan.
- Depreciation and amortization costs of $293.1 million were 13% of revenues compared to $195.3 million or 12% in 1998. The increase of $97.8 million was due to both Raglan and Collahuasi operating at commercial production rates through the entire 1999 fiscal year. Raglan achieved commercial

Falconbridge Dominicana

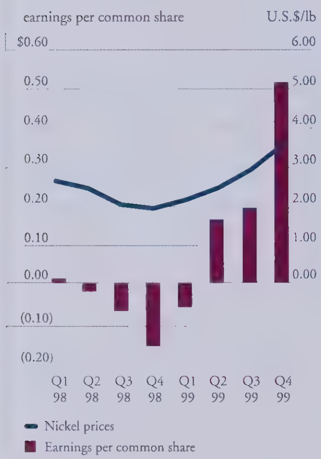
powerful efficiencies

David Plasencia operates the power plant's new distribution control system which replaces the old panels pictured in the background. This computerized system will improve the efficiency of power generation at Falcondo and provide better environmental controls.

production in April 1998 but due to the time required to build inventory pipelines, only generated revenues for one month, while Collahuasi was not yet in production.

- Exploration, research and process development expenditures totaling $49.1 million were $4.0 million lower than in 1998.

Earnings improving with higher metal prices



Total interest expense in 1999 was $116.8 million, an increase of $51.1 million due to the inclusion of interest costs from Collahuasi as the operation achieved commercial production in 1999. In prior years interest expense relating to Collahuasi had been capitalized.

The Corporation entered into a number of futures and forward metal contracts. Due to the rise in the nickel price, the Corporation recorded gains of $46.3 million, which are included in other income. Of the gains recorded in 1999, $30.2 million has been realized.

Income and mining taxes of $31.5 million were $70.5 million higher than in 1998. Further details concerning income taxes can be found in note 6, page 45, of this annual report.

Non-controlling interest in subsidiaries increased by $2.1 million to $3.1 million due to the increase in earnings at Falcondo.

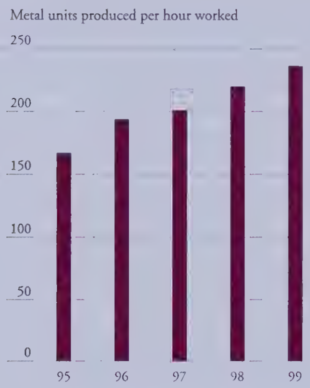
As a result of the above factors, consolidated earnings for the year rose to $153.1 million or $0.80 per common share from a loss of $36.4 million or $0.24 per common share in 1998.

Earnings were also adversely affected by a number of unusual charges. A strike at the Kidd Metallurgical Division reduced earnings in 1999 by $7.5 million or $0.04 per common share while restructuring charges related to the ongoing reorganization of the Sudbury Operations resulted in an $8.1 million or $0.05 per common share negative impact. Had Falconbridge not hedged U.S. dollar revenues, earnings would have been $7.0 million or $0.04 per common share higher in 1999 and $42.1 million or $0.24 per common share higher in 1998. The startup of Raglan, including depreciation charges, reduced earnings by $15.1 million or $0.09 per common share in 1998.

The following table summarizes the results of operations for 1999 and 1998, including contributions from the reportable segments:

	YEAR ENDED DECEMBER 31, 1999	1998
Principal operations		
Integrated Nickel Operations (INO)	**$ 130.0**	$ 9.3
Kidd Creek Operations	**32.3**	56.7
Corporate costs, net –		
Interest, net	**(38.1)**	(58.5)
Other	**(47.4)**	(95.1)
Income and mining taxes	**6.5**	45.7
Principal operations contribution	**83.3**	(41.9)
Falconbridge Dominicana, C. por A.	**17.8**	5.5
Collahuasi	**52.0**	–
Earnings (loss) for the year	**153.1**	(36.4)
Dividends on preferred shares	**11.6**	6.8
Earnings (loss) attributable to common shares	**$ 141.5**	$ (43.2)

Nikkelverk – productivity rising



Integrated Nickel Operations (INO)

During 1999, Sudbury began reorganizing into separate mines/mill and smelter business units. This will result in a more efficient and competitive organization.

The INO includes the accounts of the Corporation and all of its wholly-owned subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of metals mainly derived from Sudbury and Raglan nickel/copper ores and its custom feed business.

	1999	1998
Sales (TONNES):		
Nickel	**75,000**	69,600
Copper	**66,500**	63,800
Cobalt	**3,500**	3,500
Revenues ($ MILLIONS)	**1,116**	911
Operating Cash Cost* (U.S.$ per pound of nickel):		
Sudbury	**1.59**	1.41
Raglan	**1.51**	1.72
Operating Contribution ($ MILLIONS)	**130**	9

*Operating cash cost has been restated to include all cash production and selling costs, net of by-product credits, but excludes interest, corporate, and exploration costs. Continuing costs incurred during shutdowns or strikes are excluded.

Revenues: Sales of INO products rose in 1999 as a result of the addition of a full year of operations at Raglan, offset by reduced sales from Sudbury, custom feeds and purchased products. Realized nickel prices in 1999 increased by 25% while copper and cobalt prices decreased by 4% and 25%, respectively. In 1999, consolidated revenues for INO rose to $1,116 million from $911 million in 1998.

Costs: The operating cash cost (after by-product credits) of producing a pound of nickel at the Sudbury mines, was U.S.$1.59 per pound. The U.S.$0.18, or 13%, increase over 1998 costs was the result of lower by-product credits from copper and cobalt because of lower prices for these metals and the impact of lower metal grades on production. This more than offset the positive impact of lower unit operating costs and the improved U.S. dollar to Canadian dollar exchange rate. Based on production targets for the year, Sudbury aims to achieve its targeted operating cash cost of U.S.$1.30 per pound of nickel produced in 2000. Productivity, measured by the equivalent units of metals produced per hour worked, decreased at Sudbury by 4% in 1999 as the lower metal grades more than offset the impact of reductions in hours worked.

The operating cash cost of producing a pound of nickel at the Raglan mine was U.S.$1.51 per pound. The U.S.$0.21, or 12%, decrease from 1998 costs reflects lower unit operating costs which were partially offset by the impact of lower by-product credits from copper and cobalt because of lower prices for these metals. Raglan's full impact on unit operating costs at the smelter and refinery was limited in 1999 as in-process inventories were built.

Productivity increased at the Nikkelverk refinery by 7% because of higher production.

Integrated Nickel Operations

	1999			1998		
	Ore Tonnes (x 1000)	Ni %	Cu %	Ore Tonnes (x 1000)	Ni %	Cu %
Production						
Sudbury – Mine						
Craig	1,165	1.94	0.75	1,151	2.03	0.80
Fraser	1,015	1.16	3.07	1,144	1.22	3.13
Lindsley	378	1.19	1.20	255	1.45	1.24
Lockerby	195	2.24	0.93	220	2.33	0.88
Total	2,753	1.57	1.68	2,770	1.67	1.81
Raglan – Mine *	784	2.96	0.83	542	3.14	0.96
	Ni	Cu	Co	Ni	Cu	Co
Metal in Concentrate (TONNES)						
Sudbury mine output	35,678	40,999	922	38,348	46,235	940
Raglan mine output *	19,524	4,930	238	14,229	3,708	164
Metal in copper concentrate	140	30,778	–	169	32,783	–
Smelter, Refinery						
Smelter (TONNES)						
Mines – Sudbury	33,041	11,447	732	37,173	13,973	900
– Raglan **	18,912	5,264	307	6,333	1,850	95
Custom	3,814	3,462	1,375	6,084	1,616	1,135
Total	55,767	20,173	2,414	49,590	17,439	2,130
Refinery (TONNES)						
Mines – Sudbury	36,147	13,234	916	38,950	13,823	982
– Raglan **	17,837	4,851	287	3,367	1,012	53
Custom	20,153	15,177	2,807	27,835	16,823	2,816
Total	74,137	33,262	4,010	70,152	31,658	3,851
	Ni	Cu	Co	Ni	Cu	Co
Sales (TONNES)						
Mines – Sudbury	36,262	45,095	911	40,381	45,946	1,050
– Raglan *	17,468	4,784	255	2,457	971	35
Custom	21,270	15,302	2,363	24,894	16,540	2,398
Purchased Product	–	1,301	–	1,838	300	–
Total	75,000	66,482	3,529	69,570	63,757	3,483

*Since commercial production **Includes pre-production material

Kidd Creek Operations

	1999				1998			
	Ore Tonnes (x 1000)	Cu %	Zn %	Ag g/t	Ore Tonnes (x 1000)	Cu %	Zn %	Ag g/t
Production								
Kidd Mining Division								
No. 1 Mine	1,219	3.37	5.14	63	1,300	2.84	7.71	89
No. 2 Mine	331	3.50	0.31	19	426	3.65	0.55	16
No. 3 Mine	875	2.01	6.61	70	807	2.22	5.31	45
Total mined	2,425	2.90	5.01	60	2,533	2.77	5.00	65

	1999					1998				
	Cu	Cu Cathode	Cu Blister	Zn	Ag	Cu	Cu Cathode	Cu Blister	Zn	Ag
Metal in concentrate from mines (TONNES EXCEPT TROY OUNCES OF Ag)	67,429	–	–	96,292	3,622	67,143	–	–	103,881	3,889
Kidd Metallurgical Division (TONNES EXCEPT TROY OUNCES OF Ag)										
Mines		51,880	53,568	92,504	3,320,975		60,683	69,843	93,814	3,824,788
Custom – Sudbury		31,564	31,564	–	232,490		33,344	33,344	–	269,097
Custom – Other		37,834	37,834	38,574	209,704		20,960	20,960	51,290	469,554
Total		121,278	122,966	131,078	3,763,169		114,987	124,147	145,104	4,563,439

	1999					1998				
	Cu	Cu in Concentrate	Zn	Zn in Concentrate	Ag	Cu	Cu in Concentrate	Zn	Zn in Concentrate	Ag
Sales (TONNES EXCEPT TROY OUNCES Ag)										
Mines	52,800	1,939	93,829	1,275	3,263,483	78,080	654	91,277	–	3,673,585
Custom – Other	29,543	–	38,574	–	209,704	20,958	–	51,290	–	469,554
Purchased metal	7,863	–	1,541	–	–	9,800	–	186	–	–
Total	90,206	1,939	133,944	1,275	3,473,187	108,838	654	142,753	–	4,143,139

Income: The INO's 1999 income contribution was $130.0 million compared with $9.3 million for 1998. The $120.7 million increase was attributable to higher nickel prices, the addition of a full year of revenues from Raglan and the impact of improved exchange rates. These were partially offset by higher depreciation and amortization charges relating to Raglan, and restructuring charges at the Sudbury Operations.

Production: Ore production at the Sudbury mines was essentially the same as in 1998. However, due to lower nickel grades, metal production in concentrate declined from 38,300 tonnes of nickel in 1998 to 35,700 tonnes in 1999. In 2000, production of nickel in concentrate in Sudbury is expected to be 37,000 tonnes. Smelter production during 1999, although 12% higher than in 1998, was adversely affected by furnace problems. This resulted in a larger than normal buildup of concentrate inventories from the Sudbury and Raglan mines.

At Raglan, problems at the mill reduced production of nickel in concentrate from the design capacity of 21,000 tonnes to 19,500 tonnes. During the nine-month operating period in 1998, Raglan produced 14,200 tonnes. Work also started in 1999 on de-bottlenecking the mill and on mine development to increase the annual production rate from 800,000 to 1,000,000 tonnes of ore. Production of nickel in concentrate in 2000 is planned at 23,000 tonnes.

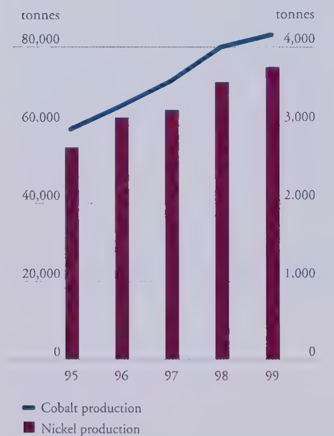
Production at the refinery in Kristiansand was higher in 1999 due to the increased feed from Raglan, which was partially offset by decreases in nickel from Sudbury and custom feed. Nickel production of 74,100 tonnes and cobalt output of 4,000 tonnes set new annual records. In 2000, production of nickel and cobalt should approach the new annual capacities with production forecast at 80,000 tonnes of nickel and 4,100 tonnes of cobalt.

Custom Feed

recycling

Our recycling and reprocessing business has provided a source of additional feed for our smelters and refineries. Blain Quinlan checks incoming feed, which is tested to determine its composition, any potential environmental, health or safety effects, and to ensure it does not adversely impact our processes or metal products.

Record nickel and cobalt production at Nikkelverk



The production of platinum group metals (PGMs) grew in importance during 1999 as production volumes expanded and prices rose significantly. Falconbridge is now producing approximately 200,000 ounces of PGMs annually.

The collective agreement with the production and maintenance workers in Sudbury expires in August 2000. At Raglan, production and maintenance workers, who are represented by Syndicat des Métallos (FTQ) Local 9449 (United Steelworkers of America), negotiated their first collective agreement in 2000.

Reserves & Exploration: The December 31, 1999 total of proven and probable ore reserves in Sudbury decreased by 4.1 million tonnes of ore to 19.5 million tonnes. Possible reserves decreased by 0.5 million tonnes in the year to 3.8 million tonnes. During the year 2.8 million tonnes of ore were mined. A total of 1.9 million tonnes was reassessed due to changes in mining parameters and the engineering reassessment of isolated reserve blocks.

The underground exploration program at the Onaping Depth Project continued and has been extended to mid-2000 in support of a feasibility study. Results to date reveal an undiluted mineral resource of 20.7 million tonnes of 2.57% nickel and 1.22% copper. In addition, eight kilometres northeast of the Lockerby mine and three kilometres west of Inco's Creighton mine, a surface exploration hole intersected 33.4 metres of 2.6% nickel and 0.8% copper at a depth of 2,436 metres. The true thickness of this intersection is estimated to be approximately 18 metres.

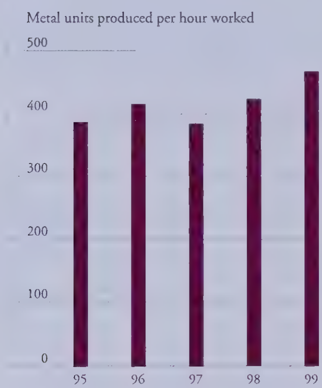
The December 31, 1999 total of proven and probable ore reserves in Raglan increased by 0.3 million tonnes of ore to 19.7 million tonnes. During the year 0.8 million tonnes of ore were mined.

Of significance is the discovery of a new lens of mineralization at Zone 3 consisting of 295,000 tonnes of probable ore grading 3.34% nickel and 0.96% copper. It is located 170 to 280 metres below surface at a new unexplored horizon that is situated below the contact that hosts the existing Raglan ore reserves. This unexplored new contact appears to extend across a significant portion of the Raglan property. Exploration expenditures will be increased from $7 million in 1999 to $10 million in 2000. The goal at Raglan is to establish sufficient ore reserves to sustain an annual production rate above 30,000 tonnes of nickel.

Kidd Creek Operations

The Kidd Metallurgical Division improved its performance in 1999. Prior to a 26-day strike, the Division reached its 28¢ cash cost target. The copper refinery also set a new production record of 121,300 tonnes of cathode.

Kidd Metsite – productivity rising



Kidd Creek is engaged in the mining, milling, smelting and refining of its own copper/zinc ores and in the processing of custom feed.

	1999	1998
Sales (TONNES)		
Copper (in metal and concentrate)	**92,100**	109,500
Zinc (in metal and concentrate)	**135,200**	142,800
Revenues ($ MILLIONS)	**497**	561
Operating Cash Cost (U.S.$ per pound) of copper equivalent	**0.54**	0.45
Operating Contribution ($ MILLIONS)	**32**	57

Revenues: Revenues at the Kidd Creek Operations were $497 million in 1999, an 11% decrease from 1998. Copper and zinc sales volumes were lower than in 1998. Realized copper prices were 1% lower than last year while zinc prices were 6% higher.

Costs: The operating cash cost of producing a pound of copper equivalent at the Kidd mine increased by 20% in 1999, to U.S.$0.54 per pound of copper equivalent. The 1999 increase is due to the impact of lower by-product and custom feed credits. Productivity measured by the equivalent units of metals produced per hour worked, improved at Kidd Mining Division by 1%, primarily due to reductions in the number of hours worked. Adjusting for the impact of the strike, productivity, measured by equivalent units of metal produced per hour worked at the Kidd Metallurgical Division improved by 11% largely due to increased throughput.

Income: The Kidd Creek Operations contributed $32.3 million to earnings in 1999, compared with $56.7 million for 1998. The $24.4 million decrease largely reflects the impact of the strike on operating costs and sales volumes and lower mine production.

Production: At the Kidd Mining Division, ore milled in 1999 decreased by 4% from 1998 levels. This tonnage, when combined with higher copper and zinc ore grades, and metallurgical recoveries, resulted in an increase of 300 tonnes in copper production to 67,400 tonnes of copper in concentrate while zinc production in concentrate decreased by 7% to 96,300 tonnes. In 2000, copper in concentrate is expected to total 55,000 tonnes due to lower ore grades while zinc in concentrate is forecast at 97,000 tonnes.

At the Kidd Metallurgical Division, zinc production in 1999 decreased by 10% to 131,100 tonnes, while copper cathode production increased by 6,300 tonnes to 121,300 tonnes. Due to the 26-day strike, both the zinc and copper plants had lower production than planned. The Kidd Metallurgical Division concluded its first collective agreement covering a three-year period expiring September 30, 2002. Late in December 1999 the copper smelter commenced a major shutdown, originally scheduled for the spring of 2000. Copper operations were affected for 46 days.

As a consequence, projected copper cathode production in 2000 has been revised from 140,000 tonnes to 136,000 tonnes. Production of zinc is estimated at 147,000 tonnes.

Sulphuric Acid (TONNES)	1999	1998
Production		
Sudbury	**240,696**	199,354
Nikkelverk	**100,834**	92,050
Kidd Creek	**496,350**	543,721
Total	**837,880**	835,125

Reserves & Exploration: The December 31, 1999 total proven and probable ore reserves at Kidd Creek decreased by 2.2 million tonnes, to 29.5 million tonnes. Possible ore reserves increased by 0.2 million tonnes to 1.5 million tonnes in the year. During 1999, 2.4 million tonnes of ore were mined. In 1999, the underground exploration program from the 6,800 foot level continued in support of the feasibility study to evaluate mining to the 8,200 foot level and possibly to the 10,200 foot level.

Falconbridge Dominicana, C. por A. (Falcondo)

Falcondo returned to full production in March following a four month shutdown, during which a major maintenance overhaul was completed.

Located in the Dominican Republic, Falcondo mines, mills, smelts and refines its own nickel laterite ores. Falconbridge owns 85.26% of Falcondo.

	1999	1998
Sales of Ferronickel (TONNES)	**22,600**	28,100
Production (TONNES)	**24,500**	25,200
Revenues ($ MILLIONS)	**208**	202
Operating Cash Cost (U.S.$ per pound of nickel)	**2.12**	1.82
Earnings ($ MILLIONS)	**18**	6

Revenues: Revenues at Falcondo in 1999 were $208 million compared to $202 million in 1998 as the 26% increase in the realized ferronickel price offset a reduction in sales to 22,600 tonnes from 28,100 tonnes.

Costs: Falcondo's operating cash cost per pound of ferronickel increased by 16% in 1999, to U.S.$2.12 per pound entirely due to higher oil prices.

Income: The Corporation's share of Falcondo's 1999 earnings was $17.8 million, compared with $5.5 million in 1998. The $12.3 million higher contribution reflects a higher ferronickel selling price which offset the impact of higher oil costs and lower sales volumes.

Production: Falcondo's planned production rate in 2000 is expected to be approximately 30,000 tonnes compared with 24,500 tonnes in 1999. Production in 1998 and 1999 was affected by a two-month production shutdown in each year.

In January 2000, Falcondo concluded a collective agreement with its production and maintenance workers. It covers a three-year period expiring on December 1, 2002.

Reserves & Exploration: The December 31, 1999 total proven and probable ore reserves at Falcondo decreased by 5.7 million tonnes to 55.3 million tonnes. Possible ore reserves decreased by 0.7 million tonnes in the year to 16.7 million tonnes. During 1999, 3.1 million tonnes of ore were mined and reserves were reduced to reflect losses resulting from a reduction of bulk tonnage factors used to estimate reserves.

Collahuasi

With production of 435,000 tonnes of copper at an average operating cash cost of U.S.38¢ per pound, Collahuasi's first full year of operation was impressive and exceeded all expectations.

Compañia Minera Doña Inés de Collahuasi S.C.M., in which Falconbridge holds a 44% interest, operates the Collahuasi mine in northern Chile. Collahuasi mines and mills copper sulphide ores into concentrate and mines and leaches copper oxide ores to produce cathodes. The development of Collahuasi was completed, at a capital cost of U.S.$1.8 billion, in the fourth quarter of 1998 and commercial production began in January 1999.

Falconbridge share	1999	1998
Sales of Copper (TONNES)	175,000	–
Production (TONNES)	191,200	–
Revenues ($ MILLIONS)	352	–
Operating Cash Cost (U.S.$ per pound)	0.38	–
Earnings ($ MILLIONS)	52	–

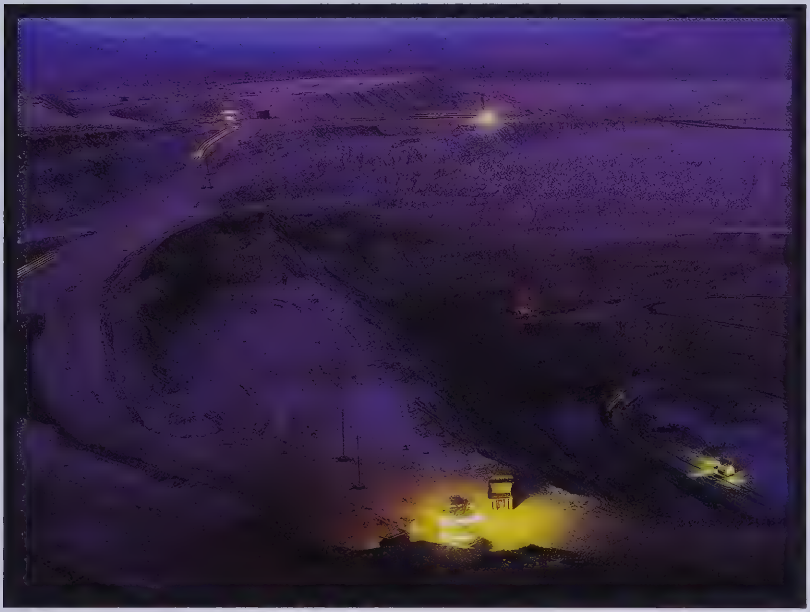
Revenues: Falconbridge's share of revenues at Collahuasi in 1999 was $352 million on sales of 175,000 tonnes of copper.

Costs: The operating cash cost of producing a pound of copper in 1999 was U.S.$0.38 per pound and was significantly lower than the assumptions in the feasibility study. Reduced treatment and refining charges, higher than planned ore grades and somewhat lower operating costs had a positive impact on the cash cost.

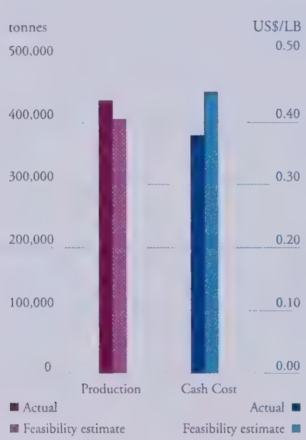
Collahuasi

mine overview

Collahuasi is the fourth largest copper mine in the world. Falconbridge, which holds a 44% interest in Collahuasi, saw the operation achieve commercial production in 1999.



Collahuasi – impressive 1999 performance



Income: The Corporation's share of Collahuasi's 1999 earnings was $52.0 million. In addition, the interest income on Falconbridge's portion of Collahuasi's subordinated debt was $26.6 million. The operation did not contribute to 1998 earnings.

Production: Falconbridge's share of annual copper production totaled 191,200 tonnes, which was higher than the production forecast in the feasibility study. Falconbridge's share of cathode from the oxide plant reached 22,500 tonnes (3% above design capacity), while production of copper in concentrate was 168,700 tonnes. The mill operated at 90% of design capacity during the year with the fourth quarter at 95%. During the fourth quarter Collahuasi began the process of securing LME registration for its copper cathode production. Falconbridge's share of total copper production in 2000 is forecast at 171,000 tonnes.

In September, Collahuasi concluded the first collective agreement with its union, which covers a three-year period expiring on August 31, 2002.

Reserves: The December 31, 1999 total proven and probable ore reserves at Collahuasi decreased by 20.9 million tonnes to 1,877.4 million tonnes. Possible ore reserves were reduced by 0.7 million tonnes to 111.8 million tonnes. During 1999, 25.6 million tonnes were mined. Inferred resources were 1,272.2 million tonnes at December 31, 1999.

Estimated production for 2000

			2000E	1999
Mine Production (TONNES)	Sudbury	Nickel	37,000	35,700
		Copper	45,000	41,000
	Raglan	Nickel	23,000	19,500
		Copper	5,000	4,900
	Kidd	Copper	55,000	67,400
		Zinc	97,000	96,300
	Falcondo	Ferronickel	30,000	24,500
	Collahuasi	Copper	171,000	191,200
Metal Production (TONNES)	Nikkelverk	Nickel	80,000	74,100
		Copper	32,000	33,300
	Kidd	Copper Cathode	136,000	121,300
		Blister Copper	136,000	123,000
		Zinc Plant	147,000	131,100
	Falcondo	Ferronickel	30,000	24,500
	Collahuasi	Copper	22,000	22,500

Liquidity and Capital Resources

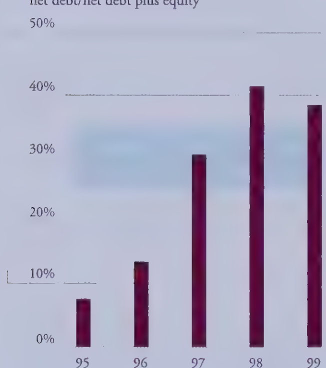
Cash generated from operations, before changes in accounts receivable, inventories and payables, totaled $455.0 million, compared with $107.3 million for 1998. The increase was due to the impact of production from Raglan and Collahuasi, and higher nickel prices.

The cash position and changes in cash in each of the last two years ended December 31 are summarized below:

MILLIONS	YEAR ENDED DECEMBER 31, 1999	1998
Cash provided by operating activities	**$ 349.0**	$ 176.9
Cash used in investing activities	**(219.8)**	(748.9)
Cash (used in) provided by financing activities	**(127.5)**	542.1
Cash provided (used) during the year	**1.7**	(29.9)
Cash and cash equivalents, beginning of year	**99.8**	129.7
Cash and cash equivalents, end of year	**$ 101.5**	$ 99.8

Balance sheet improving

target range = 25% – 35%



Liquidity and Cash Flow

Consolidated cash and cash equivalents of $101.5 million at December 31, 1999, compared with $99.8 million last year, were invested mainly in high-quality short-term money market instruments. The Corporation's lines of credit at December 31, 1999 totaled U.S.$553 million, of which U.S.$220.3 million was drawn.

Working capital increased to $527.1 million from $425.4 million at the end of 1998 primarily due to the impact of higher metal prices, the replacement of inventories at Falcondo after the shutdown, and the impact of the startup of Collahuasi.

Cash generated from operations, before changes in accounts receivable, inventories and payables, totaled $455.0 million, compared with $107.3 million for 1998. After working capital changes, cash generated from operations was $349.0 million, up 97% from 1998 levels.

The ratio of current assets to current liabilities improved to 2.4:1 from 2.3:1 in 1998.

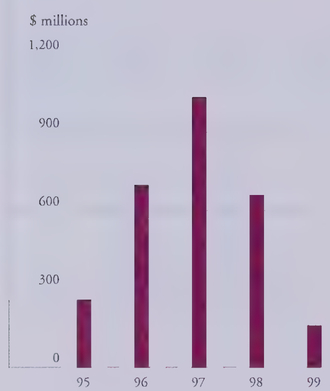
Based on planned production levels, estimated LME prices and forecasted Canadian/U.S. dollar exchange rates, it is anticipated that funds provided from operations, and proceeds from existing lines of credit will be sufficient to finance planned capital expenditures in 2000 and the dividends declared to date.

Outstanding Indebtedness

Total debt was reduced to $1,575.0 million at December 31, 1999 from $1,725.6 million at the end of 1998 due to changes in the Canadian/U.S. dollar exchange rate and loan repayments of $49.8 million. The current portion of long-term debt is $80.3 million. As a result of Collahuasi achieving commercial production and passing certain completion tests, Falconbridge no longer guarantees its proportionate share of Collahuasi's external debt.

The ratio of net debt (debt minus cash and temporary investments) to net debt plus equity improved to 38% at the end of 1999 from 41% in 1998.

Capital expenditures declining



Capital Expenditures and Deferred Project Costs

The following table summarizes the expenditures incurred or planned for the periods indicated:

MILLIONS	PLANNED IN 2000	YEAR ENDED DECEMBER 31, 1999	1998
Capital			
Sudbury	$ 62.6	**$ 40.5**	$ 65.6
Nikkelverk	12.1	**13.7**	36.5
Raglan	38.4	**12.0**	30.5
Kidd Creek	55.0	**36.2**	52.4
Falcondo	23.8	**15.6**	20.0
Collahuasi	18.4	**23.4**	434.9
Other	3.2	**6.7**	7.4
	213.5	**148.1**	647.3
New Caledonia	36.5	**21.6**	11.3
Total	$ 250.0	**$ 169.7**	$ 658.6

Expenditures in 1999 were primarily used for the No.3 Deep Mine project at the Kidd Mining Division, exploration and evaluation work at the New Caledonia project, and to maintain production capacity at all locations.

Planned 2000 expenditures will be directed towards exploration and evaluation work in New Caledonia, the completion of the Onaping Depth feasibility study in Sudbury, increasing production at Raglan, work on the deep mining project at the Kidd Mining Division and to maintain and improve productive capacity at all locations. Expenditures will be financed from internal sources and existing lines of credit.

Based on existing operations, capital expenditures over the next few years are expected to be in the range of $250 million per year.

Sustainable Development

Falcondo achieved ISO14001 certification on the implementation of its new environmental management system, making it the first nickel production facility in the world to achieve this status.

With the opening of the Raglan mine in 1998 and Collahuasi in 1999, and the completion of the mine closure plans for most of the Canadian operations, Falconbridge completed a revised estimate for site restoration costs. The total liability for future site restoration costs has been increased by $25 million and is currently estimated to be approximately $175 million at December 31, 1999. This estimate is based on information currently available, including preliminary closure plans and alternatives, applicable regulations, planned spending on site restoration and the remaining life of Falconbridge's ore reserves. At December 31, 1999, Falconbridge had provided $68.4 million compared to $60.2 million last year, in addition to ongoing capital and operating expenditures. The remaining balance will be accrued and expensed during the remaining lives of the operations.

Falcondo achieved ISO14001 certification on the implementation of its new environmental management system, making it the first nickel production facility in the world to achieve this status. Falconbridge's other production sites are working towards ISO14001 certification.

An extensive "Report on Sustainable Development" is scheduled for release in the second quarter of 2000.

Exploration & Business Development

The primary exploration focus is nickel while Falconbridge's expected growth in copper reserves will primarily be achieved through acquisitions.

Exploration

The exploration group's mandate is to add ore reserves at existing operations and new low cost nickel and copper ore reserves through exploration or acquisition. The primary exploration focus is nickel while Falconbridge's expected growth in copper reserves will primarily be achieved through acquisitions.

In addition to the exploration programs at Falconbridge's current operations, new nickel exploration projects have been initiated in northern Manitoba, the Northwest Territories, Greenland, Ireland, Vietnam, Australia and the Russian Far East.

The table below summarizes exploration expenditures incurred or planned for the periods indicated:

	PLANNED IN	YEAR ENDED DECEMBER 31,	
MILLIONS	2000	1999	1998
Support of core operations in Canada	$ 24	**$ 21**	$ 28
New exploration projects in Canada	4	**4**	5
Collahuasi	2	**2**	–
Other exploration projects outside Canada	9	**8**	6
	$ 39	**$ 35**	$ 39

Kidd Mining

surveying underground

Sharon Taylor and Brian Rigg demonstrate electromagnetic surveying techniques underground at Kidd Creek. These surveys are capable of detecting mineralization well beyond the limits of a standard drill hole. With this kind of precise geophysical data, we can maximize exploration efforts and reduce mining costs.

Advanced Exploration Projects – Mineral Resources
(DECEMBER 31, 1999)

PROJECT	LOCATION	RESOURCE CATEGORY	MILLIONS OF TONNES	% NICKEL GRADE	% COPPER GRADE	% ZINC GRADE	G/T SILVER GRADE	G/T GOLD GRADE	FL OWNERSHIP
Onaping Depth* (1)	Sudbury	Indicated	19.8	2.52	1.21	–	–	–	100%
		Inferred	0.9	3.70	1.44	–	–	–	
Craig Depth (1)	Sudbury	Inferred	1.2	2.56	0.53	–	–	–	100%
Norman West (1)	Sudbury	Inferred	7.6	1.59	1.28	–	–	–	100%
Nickel Rim (1)	Sudbury	Inferred	0.5	4.13	25.53	–	–	–	100%
	or	Inferred	1.6	1.58	10.13	–	–	–	
Fraser-Morgan (1)	Sudbury	Inferred	1.8	1.73	0.49	–	–	–	100%
Bowell (1)	Sudbury	Inferred	0.7	1.58	0.71	–	–	–	100%
Errington	Sudbury	Measured	1.3	–	1.32	3.89	57	0.9	63%
		Indicated	2.7	–	1.21	4.12	60	0.8	
		Total	4.0	–	1.25	4.05	59	0.8	
		Inferred	2.3	–	1.18	4.48	64	0.8	
Vermilion	Sudbury	Measured	1.3	–	1.66	5.17	68	1.1	63%
		Indicated	0.6	–	1.59	4.68	64	1.1	
		Total	1.9	–	1.64	5.01	67	1.1	
		Inferred	0.5	–	0.96	5.49	66	1.1	
Bucko (2)	Manitoba	Indicated	0.9	2.61	0.20	–	–	–	95%
		Inferred	0.5	2.61	0.20	–	–	–	
Koniambo	New Caledonia	Inferred	132.4	2.46	–	–	–	–	49% (3)
Côte d'Ivoire*	Ivory Coast	Indicated	133.6	1.53	–	–	–	–	60% (4)
		Inferred	150.7	1.36	–	–	–	–	
Cerro de Maimon	Dominican Republic	Indicated	3.4	–	3.93	1.93	47	0.56	85%
Gope 25	Botswana	Indicated	77.3	20 carats of diamonds per 100 tonnes of ore					50%

Notes:
(1) Also included in Sudbury Resources on Reserves/Resources table.
(2) Total tonnes lower in 1999 due to reclassification into categories in accordance with current resource standards. Nickel and copper grades are higher.
(3) Option to earn. Also contains 0.06% cobalt.
(4) Option to earn. Also contains 0.11% cobalt.
* Recalculated in 1999.

Business Development

Falconbridge and its joint venture partner Société Minière du Sud Pacifique S.A. continued to carry out evaluation work in 1999 on the Koniambo Project in the North Province of New Caledonia. The project is on schedule and will move to the pre-feasibility stage by the third quarter of 2000. Estimated annual production is approximately 54,000 tonnes of nickel.

Considerable efforts continue to be made to acquire other world class nickel laterite deposits that are amenable to hydrometallurgical exploitation. Assessments of a number of potential nickel and copper opportunities were concluded during 1999.

Work continues on reviewing the feasibility study for the Gope diamond property in Botswana in which Falconbridge and De Beers Consolidated Mines each have a 50% interest. An application for a mining licence has been filed with the government. Production is estimated to be in the order of one million carats annually.

Markets

Market prices for nickel, copper, and zinc rose steadily through 1999 supported by continued strength in the U.S. economy and improved fundamentals in Europe and Asia.

The London Metal Exchange (LME) cash settlement price for nickel rose by 106% during 1999 to close at U.S.$3.83 per pound. The expectation of major new output coming on-stream and the Asian financial crisis pushed nickel prices to their lows in late 1998. However, during 1999, there were substantial disruptions and cutbacks at existing producers while new Western Australian laterite projects experienced technical difficulties in their start-ups. Increased demand for stainless steel in the U.S., Europe, Taiwan, South Korea and other Asian markets also contributed to improved nickel prices. Reduced availability of stainless steel scrap in Europe augmented the demand for nickel from this sector. A sizeable market deficit had developed by year-end. As a result of these factors, LME inventories were down to 47,304 tonnes by the end 1999, a 28% decrease from the end of 1998.

Strong demand for copper was also evident in 1999. However, the market remained in surplus as new supply came on-stream from the start-up of two new large projects as well as expanded capacity at existing producers. Copper prices rose by 27% to end the year at an LME cash settlement price of U.S.$0.84 per pound. LME inventories ended 1999 at 789,975 tonnes, an increase of 34% from the end of 1998.

Overall zinc demand was subdued in the first half of 1999, improving through the last half of the year, most notably in Europe. As a result of increased demand and a forecast market deficit, the LME cash settlement price for special high grade zinc rose almost 35% to U.S.$0.56 per pound by the end of 1999. LME stocks fell 12% to 279,050 tonnes by the year-end representing a stock-to-consumption ratio of 4.6 weeks.

The following table indicates the average metal price and the Canadian/U.S. dollar exchange rate realized by Falconbridge and on the London Metal Exchange in 1999 and 1998:

Average U.S. prices and Canadian/U.S. dollar exchange rates

		REALIZED BY FALCONBRIDGE		LONDON METAL EXCHANGE	
	PRICING UNIT	1999	1998	1999	1998
Nickel	pound	**$ 2.78**	$ 2.23	**$ 2.73**	$ 2.09
Ferronickel	pound	**2.81**	2.23	**–**	–
Copper	pound	**0.74**	0.77	**0.71**	0.75
Zinc	pound	**0.54**	0.51	**0.49**	0.46
Cobalt	pound	**14.67**	19.46	**14.71 ***	17.55*
Average exchange rate realized					
U.S.$1=Cdn.$	pre hedge	**1.49**	1.48		
	post hedge	**1.48**	1.42		

* As per Metal Bulletin 99.3%

Risk Factors

As a significant portion of Falconbridge's revenues are derived from the sale of nickel, copper, cobalt and zinc, Falconbridge's earnings are directly related to fluctuations in the prices of these metals. Market prices can be affected by numerous factors beyond Falconbridge's control, including expectations for inflation, speculative activities, relative exchange rates to the U.S. dollar, global and regional demand and production, political and economic conditions and production costs in major producing regions.

In order to minimize metal price risk exposure on purchased metals, fluctuations in inventory levels, and to obtain the average LME prices, the Corporation periodically uses futures and options contracts to hedge these risks. Generally, Falconbridge does not hedge the price it realizes on the sale of its own production and accepts market prices prevailing at the time of sale. From time to time, however, the Corporation may fix the price associated with its own future production to lock in certain profits or cash flows. The Board of Directors of the Corporation has approved a policy to address the philosophy, implementation, control and limits on metal trading.

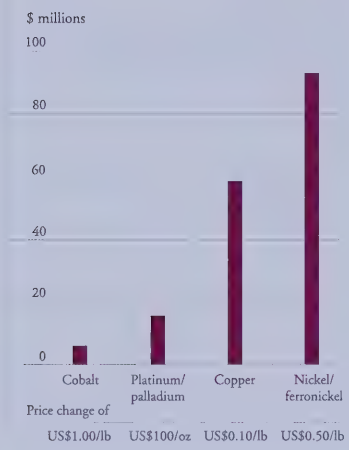
Fluctuations in currency exchange rates, principally the Canadian/U.S. dollar exchange rate, can significantly impact Falconbridge's earnings and cash flows. Most of Falconbridge's revenues and debt are denominated in U.S. dollars, whereas most of the Canadian operating costs are incurred in Canadian dollars. Falcondo's and Collahuasi's costs are incurred mainly in U.S. dollars while Nikkelverk's costs are incurred in Norwegian kroner. From time to time the Corporation will engage in financial risk management programs, approved by the Board of Directors, by entering into contractual arrangements which reduce exposures by creating an offsetting position.

In view of the uncertainties concerning future removal and site restoration costs on Falconbridge properties, the ultimate costs to Falconbridge could differ from the amounts estimated. The estimate for this future liability is subject to change based on amendments to applicable laws and legislation, the nature of ongoing operations and technological innovations. Future changes, if any, due to their nature and unpredictability, could have a significant impact and would be reflected prospectively as a change in an accounting estimate.

Sensitivities

Falconbridge's earnings and cash flows are sensitive to changes in metal prices and the Canadian/U.S. dollar exchange rate. The following table shows the approximate impact on operating income, earnings and cash flow due to variations in these factors, based on Falconbridge's anticipated 2000 sales volumes, if the change was to remain in effect for the full year:

Earnings sensitivities for 2000



Average U.S.$ prices and Canadian/U.S. dollar exchange rates

		IMPACT ON		
MILLIONS	CHANGE IN U.S.$ REALIZED PRICE	OPERATING INCOME	EARNINGS (A)	CASH FLOW
Nickel	$0.50 per pound	$ 107.7	$ 72.4	$ 103.5
Ferronickel	0.50 per pound	40.2	20.1	20.1
Copper	0.10 per pound	86.6	58.0	82.3
Zinc	0.05 per pound	18.4	11.3	17.3
Cobalt	1.00 per pound	5.7	4.5	5.5
Platinum and Palladium	100.00 per ounce	22.5	15.1	21.6
Silver	1.00 per ounce	5.3	3.3	4.9
Exchange rate (on revenue)				
U.S.$1.00 = Cdn.$ +/- 1¢		8.1	5.5	7.2

(A) Difference between earnings and cash flow relates to deferred tax amounts

Falconbridge periodically uses foreign exchange and options contracts to hedge the effect of exchange rate changes on identifiable foreign currency exposures and futures and option contracts to hedge the effect of price changes on a portion of the metals it sells from its mine production. The above sensitivities could accordingly be affected if such hedging programs were to be put in place.

Year 2000

Falconbridge's operations and support offices achieved Year 2000 readiness at the end of the third quarter of 1999.

As a result of the Corporation's Year 2000 readiness initiatives, the transition to calendar year 2000 was uneventful. Production facilities implemented Year 2000 procedures and command structures to reduce risk from unforeseen events and to minimize any production interruptions. Administrative computer applications were closely monitored following the date change without any significant problems identified. Monitoring of all computer systems will continue through the first quarter of 2000, including the February 29th leap year period. Falconbridge has also not experienced any Year 2000 related business events with its suppliers, logistics or customers.

Costs for the entire Year 2000 readiness program totaled $3.5 million, with $2.3 million being spent in fiscal 1999. Falconbridge does not expect to incur any further material costs related to this issue.

Accounting Changes

The Canadian Institute of Chartered Accountants has issued new accounting recommendations with respect to employee future benefits and income taxes, which will be implemented in the first quarter of 2000.

Under these new rules, the cost of retirement benefits and certain post employment benefits are recognized over the period in which employees render services in return for those benefits. Other post employment benefits are recognized when the event triggering the obligation occurs. Deferred income taxes will be recorded at the amounts as if all assets and liabilities recognized in the balance sheet were settled at their carrying amounts at income tax rates existing at the balance sheet date.

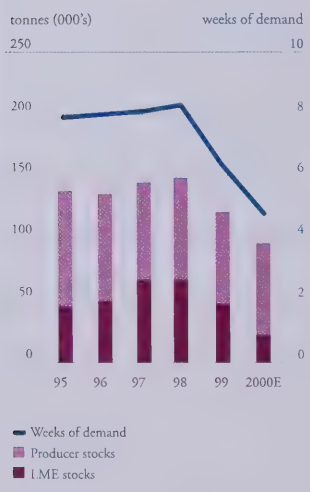
Falconbridge intends to adopt these recommendations retroactively and anticipates that there will be an after-tax charge to retained earnings of approximately $300 million in 2000. It is expected that these changes will not have a material impact on annual earnings.

Outlook

With its expanded production capacity, Falconbridge will be in a strong position to capitalize on improved markets to increase revenues. In addition, as a result of the Corporation's ongoing initiatives to enhance productivity and reduce costs, Falconbridge anticipates that profitability will also improve.

Nickel fundamentals very strong

(Stocks at critically low levels in 2000)



Looking ahead, Falconbridge will continue to execute its strategic plan to enhance shareholder value through growth and improved operating performance while maintaining a strong financial position. Economic forecasts for fiscal 2000 indicate that continued healthy market fundamentals will result in further improvements in base metal prices. With its expanded production capacity, Falconbridge will be in a strong position to capitalize on these improved markets to increase revenues.

The nickel market is expected to experience strong growth during 2000, bolstered by robust demand from the stainless steel sector. Sustained high prices could encourage increased production from traditional suppliers while additional production is expected from the new Australian laterite producers in 2000. In spite of this increased supply, the nickel market is expected to show another deficit by year-end with inventories approaching critically low levels during the year.

Demand for copper is also expected to continue growing in 2000. Refined copper metal supply is forecast to change little, as cutbacks and closures announced by U.S. refiners will offset much of the increase in supply coming from new projects. Falconbridge believes inventory levels will remain high during the year, acting as a damper to price increases. A small deficit of copper is forecast by the end of the year.

The zinc market is forecast to be in balance for 2000, as additional smelter capacity from expansions at existing producers and a newly commissioned smelter meet the increase in demand forecast for the year. Inventories are forecast to remain at historically low levels.

The market for cobalt will experience significant supply increases in 2000 from additional production in Africa and Australia, with the potential of approximately 45% of total supply coming from Zambia and the Republic of Congo. However, political, labour and process interruptions could reduce this increased supply. Demand is forecast to remain strong, driven by increased manufacturing of rechargeable batteries and disk and tape storage media for the consumer electronics market as well as traditional markets.

Longer term, the markets for Falconbridge's products remain positive. Europe and North American economies continue to grow as inflation and interest rates remain low, while the Asian economies continue to recover. Falconbridge's ongoing investments in its operations and its people, combined with an aggressive exploration and development program, will ensure the Corporation achieves its targets for return on equity and financial strength and meets its goal of enhancing shareholder value.

financial statements

Contents

Think of all the great musical masterpieces that would be silenced. What would life be like without Louis Armstrong's trumpet, the crash of the cymbals, the wail of the saxophone? Metal products can be beautiful on their own or they can be used to create beautiful music.

Accounting Responsibilities, Procedures and Policies

The Board of Directors which, among other things, is responsible for the consolidated financial statements of the Corporation, delegates to management the responsibility for the preparation of the statements. Responsibility for their review is that of the Audit Committee. Each year the shareholders appoint independent auditors to audit and report directly to them on the financial statements.

In preparing the consolidated financial statements great care is taken to use the appropriate generally accepted accounting principles and estimates considered necessary by management to present fairly and consistently the consolidated financial position and the results of operations. The principal accounting policies followed by Falconbridge are summarized on pages 41 and 42.

The accounting systems employed by Falconbridge include appropriate controls, checks and balances to provide reasonable assurance that Falconbridge's assets are safeguarded from loss or unauthorized use as well as facilitating the preparation of comprehensive, timely and accurate financial information. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Falconbridge believes its systems provide the appropriate balance in this respect.

The Corporation's Audit Committee is appointed by the Board of Directors annually and is currently comprised of four non-management directors. The Committee meets with management and with the independent auditors (who have free access to the Audit Committee) to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the financial statements for issuance to the shareholders.

David Race

David H. Race
Chairman of
Audit Committee

Øyvind Hushovd

Øyvind Hushovd
President and
Chief Executive Officer

Lars-Eric Johansson
Senior Vice President and
Chief Financial Officer

Auditors' Report

To the Shareholders of Falconbridge Limited:
We have audited the consolidated statements of financial position of Falconbridge Limited as at December 31, 1999 and 1998 and the consolidated statements of earnings, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of Falconbridge Limited's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Falconbridge Limited as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Toronto, Canada
February 2, 2000

Consolidated Statements of Earnings

IN THOUSANDS OF CANADIAN DOLLARS	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998
Revenues	$ 2,173,479	$ 1,673,756
Operating expenses		
Costs of metal and other product sales	1,469,524	1,359,187
Selling, general and administrative	104,573	86,109
Amortization of development and preproduction expenditures	81,493	48,455
Depreciation and depletion	211,599	146,877
Exploration	34,654	38,648
Research and process development	14,435	14,480
	1,916,278	1,693,756
Operating income (loss)	257,201	(20,000)
Interest on long-term debt and debt expenses	116,823	53,029
Interest on short-term debt	–	12,744
Interest and other (income)/expenses, net (note 13)	(47,335)	(11,376)
	69,488	54,397
Earnings (loss) before taxes and non-controlling interest	187,713	(74,397)
Income and mining taxes (note 6)	31,542	(38,958)
Non-controlling interest in earnings of subsidiaries	3,074	959
Earnings (loss) for the year	$ 153,097	$ (36,398)
Dividends on preferred shares	11,621	6,803
Earnings (loss) attributable to common shares	$ 141,476	$ (43,201)
Earnings (loss) per common share (note 8(c))	$ 0.80	$ (0.24)

See accompanying notes to consolidated financial statements

Consolidated Statements of Financial Position

IN THOUSANDS OF CANADIAN DOLLARS		DECEMBER 31, 1999		DECEMBER 31, 1998
Assets				
Current				
Cash and cash equivalents	$	101,485	$	99,805
Accounts and metals settlements receivable (note 11)		385,681		293,935
Inventories (note 3)		426,561		371,669
Total current assets		913,727		765,409
Property, plant and equipment (note 4)		3,665,656		3,931,841
Deferred expenses and other assets (note 7)		157,661		101,491
Total assets	$	4,737,044	$	4,798,741
Liabilities and shareholders' equity				
Current				
Accounts payable and accrued charges	$	271,220	$	285,530
Income and other taxes payable		35,068		11,869
Long-term debt due within one year (note 5)		80,300		42,576
Total current liabilities		386,588		339,975
Long-term debt (note 5)		967,444		1,038,751
Collahuasi project debt (note 5)		527,303		644,312
Deferred income and mining taxes		349,005		359,539
Other long-term liabilities (note 9)		83,309		69,698
Non-controlling interest		28,519		28,426
Total liabilities		2,342,168		2,480,701
Commitments and contingencies (notes 5,9,14,15)				
Shareholders' equity		2,394,876		2,318,040
Total liabilities and shareholders' equity	$	4,737,044	$	4,798,741

See accompanying notes to consolidated financial statements

On behalf of the Board:

A. Balogh

Øyvind Hushovd

Alex G. Balogh, Director

Øyvind Hushovd, Director

Consolidated Statements of Shareholders' Equity

IN THOUSANDS OF CANADIAN DOLLARS	YEAR ENDED DECEMBER 31, 1999 NUMBER	AMOUNT	YEAR ENDED DECEMBER 31, 1998 NUMBER	AMOUNT
Share capital				
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Issued				
Common shares (note 8(a))				
Balance, beginning of year	176,967,900	$ 2,176,447	176,967,900	$ 2,176,447
Issued pursuant to employee stock option plan	3,000	56	–	–
Balance, end of year	176,970,900	2,176,503	176,967,900	2,176,447
Preferred shares Series 1 (note 8(b))				
Balance, beginning of year	532,435	5,325	8,000,000	80,000
Conversion of units	(442,600)	(4,426)	(7,467,565)	(74,675)
Balance, end of year	89,835	899	532,435	5,325
Preferred shares Series 2 (note 8(b))				
Balance, beginning of year	7,467,565	186,688	–	–
Conversion of units and proceeds from exercise of warrants	442,600	11,065	7,467,565	186,688
Balance, end of year	7,910,165	197,753	7,467,565	186,688
Retained earnings (deficit)				
Balance, beginning of year		(57,086)		56,902
Earnings (loss) for the year		153,097		(36,398)
Dividends – Common shares		(70,788)		(70,787)
– Preferred shares		(11,621)		(6,803)
Stock option plan market growth option payments, net of taxes (note 8(a))		(547)		–
Balance, end of year		13,055		(57,086)
Cumulative translation adjustment				
Balance, beginning and end of year		6,666		6,666
Total shareholders' equity		$ 2,394,876		$ 2,318,040

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

IN THOUSANDS OF CANADIAN DOLLARS	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998
Operating activities		
Earnings (loss) for the year	$ 153,097	$ (36,398)
Add (deduct) items not affecting cash		
Depreciation and depletion	211,599	146,877
Amortization of development and preproduction expenditures	81,493	48,455
Deferred income and mining taxes (note 6(a))	3,347	(54,860)
Non-controlling interest in earnings of subsidiaries	3,074	959
Other	19,943	16,561
Contributions to pension fund in excess of provision	(17,537)	(14,297)
Cash provided by operating activities before working capital changes	455,016	107,297
Net change in receivables, inventories and payables	(105,963)	69,629
Cash provided by operating activities	349,053	176,926
Investing activities		
Capital expenditures	(148,086)	(647,256)
Investment in inventories on startup of Collahuasi (1998-Raglan)	(32,753)	(89,372)
Proceeds on disposal of assets	3,005	8,709
Change in other assets	(42,000)	(20,998)
Cash used in investing activities	(219,834)	(748,917)
Financing activities		
Long-term debt, including current portion:		
Issued (note 5)	193,693	804,779
Repaid (note 5)	(243,536)	(296,846)
Dividends paid	(81,442)	(76,671)
Conversion/issue of preferred shares (note 8(b))	6,639	112,013
Issue of common shares (note 8(a))	56	–
Dividends paid to non-controlling interest in Falconbridge Dominicana, C. por A.	(2,949)	(1,181)
Cash (used in) provided by financing activities	(127,539)	542,094
Cash provided (used) during the year	1,680	(29,897)
Cash and cash equivalents, beginning of year	99,805	129,702
Cash and cash equivalents, end of year	$ 101,485	$ 99,805
Cash flow per common share from operating activities before working capital changes (note 8(c))	$ 2.51	$ 0.57
Cash interest paid	$ 103,060	$ 97,509
Cash income and mining taxes paid	$ 31,611	$ 31,892

See accompanying notes to consolidated financial statements

(TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT WHERE OTHERWISE NOTED)

1. Summary of significant accounting policies

The consolidated financial statements of Falconbridge Limited have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. In these consolidated financial statements, references to the Corporation mean only Falconbridge Limited, the parent company, and references to Falconbridge include the Corporation and its consolidated subsidiaries. The principal accounting policies followed by Falconbridge are summarized hereunder.

Basis of consolidation

Falconbridge consolidates the financial statements of subsidiary companies and proportionately consolidates the financial statements of joint ventures. Differences between the interest in the book value of the net assets and the carrying value of the investments are allocated to the assets and liabilities based on their fair values at the dates of acquisition and are depreciated, depleted or amortized accordingly.

Translation of foreign currencies

Foreign currency balances, and the financial statements of integrated foreign operations, are translated into Canadian dollars using the temporal method. Under this method, monetary items are translated at the rate of exchange in effect at the year-end. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the weighted average exchange rates prevailing during the year, except for depreciation, depletion and amortization, which are translated at the same exchange rates as the assets to which they relate. Exchange gains and losses are included in income in the current year, except when hedged or when the gains or losses relate to a monetary item with a fixed or ascertainable original life extending beyond the end of the following fiscal year. In this case, the gain or loss is deferred and amortized to income on a straight-line basis over the period the related monetary item is outstanding. Certain net current assets are hedged by foreign currency long-term debt.

Financial statements of self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect at the year-end while revenue and expense items (including depreciation, depletion and amortization) are translated at the weighted average of exchange rates prevailing during the year. Exchange gains and losses from the translation of such financial statements are deferred and disclosed as a separate component of shareholders' equity. Falconbridge uses a combination of its U.S. dollar long-term debt and forward exchange contracts and options for the sale of U.S. dollars to hedge its net investments in self-sustaining foreign operations. Gains or losses on these hedge instruments are reported in the same manner as exchange gains and losses from the translation of the financial statements of its self-sustaining foreign operations.

Revenue recognition

Revenues from the sale of refined metals, concentrates and ferronickel are recorded in the accounts when the rights and obligations of ownership pass to the buyer.

Cash and cash equivalents

Cash and cash equivalents include cash on account, demand deposits and short-term investments with original maturities of three months or less and are stated at cost, which approximates market value.

Valuation of inventories

Metals inventories are valued at the lower of cost, determined on a "first-in, first-out" basis, or net realizable value. Supplies inventories are valued at the lower of average cost of acquisition, less appropriate allowances for obsolescence, or replacement cost.

Financial instruments

Falconbridge periodically uses forward foreign exchange and option contracts to hedge the effect of exchange rate changes on identifiable foreign currency exposures. Generally, Falconbridge does not hedge the price it realizes on the sale of its own production and accepts realizations based on market prices prevailing around the time of delivery of metals to customers. Under certain circumstances, Falconbridge enters into futures and option contracts to hedge the effect of price changes on a portion of the commodities it sells. Gains and losses on these contracts are reported as a component of the related transactions. From time to time, Falconbridge enters into futures and forward contracts for the purchase or sale of commodities and currencies not designated as hedges. These contracts are carried at estimated fair values and gains or losses arising from the changes in the market values of these contracts are recognized in the earnings of the period in which the changes occur.

Falconbridge also enters into interest-rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense related to the debt.

Interest

Falconbridge capitalizes interest costs incurred, prior to the commencement of commercial production, for projects that are specifically financed by debt. Interest costs incurred after the commencement of commercial production are expensed.

Property, plant and equipment

Property, plant and equipment and related capitalized development and preproduction expenditures are recorded at cost. Repairs and maintenance expenditures are charged to operations; major betterments and replacements are capitalized.

The Corporation generally depreciates plant and equipment on a straight-line basis over the lesser of their useful service lives or the lives of the producing mines to which they relate. At the Kidd Creek Operations, mine facilities are depreciated over the estimated lives of the mines based on the unit of production basis; reduction and refining facilities are depreciated over 25 years on the straight-line basis. Generally the subsidiary companies calculate depreciation on a straight-line basis at rates varying from 5% to 25%.

Depletion of resource properties is provided over the estimated lives of the resources recoverable from the properties on the unit of production basis.

Development and preproduction expenditures are capitalized until the commencement of commercial production. These, together with certain subsequent development expenditures, which are also capitalized, are amortized over periods not exceeding the lives of the producing mines and properties.

Exploration

Exploration costs incurred to the date of establishing that a property has resources, which have the potential of being economically recoverable, are charged against earnings. Further costs are generally deferred and, upon reaching commercial production, amortized as appropriate under the policy for property, plant and equipment as described above.

Post retirement benefits

Pension expense recorded for Falconbridge's defined benefit plans is the net of management's best estimate of the cost of benefits provided, the interest cost of projected benefits, return on pension plan assets and amortization of experience gains or losses and other pension plan surpluses or deficits. Pension fund assets are valued at current market values. Pension plan surpluses or deficits, experience gains or losses and the cost of pension plan improvements are amortized, on a straight-line basis, over the expected average remaining service life of the employee group or the term of the employment contract to which the items relate, depending on the nature of the item. Funding is subject to applicable government regulations.

Under its defined contribution retirement savings program, Falconbridge makes payments based on employee earnings and partially matches employee contributions, to a defined maximum. Employees may receive profit sharing credits based on earnings.

Falconbridge also provides certain health care and life insurance benefits for retired employees and their dependents. The cost of these benefits is expensed when paid.

The Canadian Institute of Chartered Accountants (CICA) has issued a new accounting recommendation with respect to employee future benefits, which is effective for fiscal years beginning on or after January 1, 2000. Under these rules, the cost of retirement benefits and certain post employment benefits are recognized over the period in which employees render services in return for the benefits. Other post employment benefits are recognized when the event triggering the obligation occurs. Falconbridge will be adopting the new standard in 2000.

Income and mining taxes

Falconbridge follows the deferral method of applying the tax allocation basis of accounting for income and mining taxes. Under this method, timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in deferred income and/or mining taxes.

Where appropriate, income and withholding taxes are provided on the portion of any interest in consolidated foreign subsidiaries' undistributed net income, which it is reasonable to assume, will be transferred in a taxable distribution.

The CICA has issued a new accounting recommendation with respect to income taxes, which is effective for fiscal years beginning on or after January 1, 2000. Under these rules, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses, available to be carried forward to future years for tax purposes, that are likely to be realized. Falconbridge will be adopting the new standard in 2000.

Environmental and reclamation costs

Costs related to ongoing site restoration programs are expensed when incurred. A provision for mine closure and site closure costs is charged to earnings during the life of the operations.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock option plan

The Corporation has a stock option plan, which is described in note 8(a). No compensation expense is recognized for these plans when shares or stock options are issued to employees. Shares issued under the plan are recorded at the issue price. If stock options are repurchased from employees under the market growth option, the excess of consideration paid over the stock option exercise price is charged to retained earnings.

2. Collahuasi joint venture

Compañia Minera Doña Inés de Collahuasi S.C.M. (Collahuasi) is the corporation which owns the mining and water rights and other assets relating to the Collahuasi project (the "Project") and secured financing, conducts the operations and markets the products of the property.

The Project achieved commercial production January 1, 1999. Prior to that date, while the Project was in the development stage, all of Falconbridge's and Collahuasi's expenditures relating to the Project, totalling $1,456.4 million to December 31, 1998, were capitalized and included with property, plant and equipment – properties under development, on the consolidated statements of financial position. This amount includes capitalized interest of $53.5 million.

To the right is a summary of Falconbridge's 44% share of the financial position, operating results and cash flow of Collahuasi:

	1999	DECEMBER 31, 1998
Financial position		
Assets		
Current assets	**$ 120,242**	$ 46,574
Property, plant and equipment	**1,187,315**	1,329,787
Other	**34,262**	11,302
Total assets	**$ 1,341,819**	$ 1,387,663
Liabilities and shareholders' equity		
Current liabilities	**$ 124,899**	$ 121,085
Long-term debt		
Senior debt	**527,303**	644,312
Intercompany debt	**428,609**	403,782
Shareholders' equity	**261,008**	218,484
Total liabilities and shareholders' equity	**$ 1,341,819**	$ 1,387,663
Earnings		
Revenues	**$ 351,795**	$ –
Earnings for the year	**$ 52,037**	$ –
Cash flow		
Cash flow provided by (used in):		
Operating activities	**$ 61,028**	$ 21,270
Investing activities	**(24,831)**	(507,321)
Financing activities	**(5,588)**	483,127
Increase (decrease) in cash and cash equivalents	**$ 30,609**	$ (2,924)

Current assets include cash of $36.7 million (1998 – $6.1 million) which is only available for use within the Project.

3. Inventories

Inventories of $426.6 million (1998 – $371.7 million) includes, in-process – $184.7 million (1998 – $151.0 million); finished metals – $122.0 million (1998 – $104.6 million); and supplies – $119.9 million (1998 – $116.1 million).

4. Property, plant and equipment

Property, plant and equipment consist of the following:

	1999 COST	1999 ACCUMULATED DEPRECIATION AND AMORTIZATION	1999 NET BOOK VALUE	DECEMBER 31, 1998 NET BOOK VALUE
Plant and equipment:				
Mines, mining plants and ancillary mining assets	**$ 2,774,639**	**$ 1,012,192**	**$ 1,762,447**	$ 897,946
Smelters	**686,025**	**345,487**	**340,538**	351,006
Refineries	**859,172**	**428,616**	**430,556**	447,081
Other	**163,660**	**118,232**	**45,428**	52,553
	4,483,496	**1,904,527**	**2,578,969**	1,748,586
Land and properties	**264,878**	**170,878**	**94,000**	81,175
	$ 4,748,374	**$ 2,075,405**		
Development and preproduction expenditures, net			**992,687**	645,711
Properties under development (a)			**–**	1,456,369
			$ 3,665,656	$ 3,931,841

(a) Amounts are recorded in properties under development until the property reaches commercial production at which time the costs are transferred to producing assets. In 1998, amounts include exploration, development and other expenditures, relating to the Project (note 2).

5. Long-term debt

Long-term debt consists of the following:

	DECEMBER 31, 1999	1998
Falconbridge Limited:		
7.35% Debentures, due November 1, 2006 (U.S.$250.0 million) (a)	**$ 360,825**	$ 382,625
7 3/8% Debentures, due September 1, 2005 (U.S.$200.0 million) (a)	**288,660**	306,100
Credit Facilities (U.S.$220.3 million, 1998 – U.S.$228.7 million) (b)	**317,959**	350,026
Compañia Minera Doña Inés de Collahuasi S.C.M.:		
Senior Debt (U.S.$420.9 million, 1998 – U.S.$448.8 million) (c)	**607,603**	686,888
	$ 1,575,047	$ 1,725,639
Less long-term debt due within one year	**80,300**	42,576
	$ 1,494,747	$ 1,683,063

(a) The Corporation has entered into a number of interest rate swap and option transactions ranging in term to maturity from three months to seven years. As a result of these transactions, at December 31, 1999, interest costs on U.S.$250.0 million (1998 – U.S.$275.0 million) of the debentures were swapped to an average fixed interest rate of 6.71% (1998 – 6.76%) and interest costs on U.S.$200.0 million (1998 – U.S.$175.0 million) were swapped to a floating rate basis at an average interest rate of 6.64% (1998 – 5.93%). The weighted average interest rate on the total debenture portfolio at December 31, 1999 was 6.68% (1998 – 6.44%). If these positions had been settled at December 31, 1999, the Corporation would have received $5.3 million (1998 – received $23.0 million).

(b) In July 1999, the Corporation renewed its existing revolving/non-revolving unsecured term evergreen credit facilities, (individually a "Credit Facility" and collectively the "Credit Facilities") and extended the term to July 10, 2003. The aggregate principal amount available under the Credit Facilities is U.S.$553.0 million.

The Corporation may repay and reborrow amounts under a Credit Facility during the revolving period, which ends on July 10, 2000. The revolving period of a Credit Facility may be extended by the relevant lender at its discretion. Failing such extension, borrowings under a Credit Facility will convert into a term loan maturing on July 10, 2003.

Borrowings may be made under the Credit Facilities in Canadian dollars in the form of prime rate loans or bankers' acceptances or in U.S. dollars in the form of U.S. base rate loans or LIBOR loans. As at December 31, 1999, the Corporation had borrowed U.S.$220.3 million (1998 – U.S.$228.7 million) by way of LIBOR loans, on which interest was payable at 6.40% (1998 – 5.64%). During the revolving period of a Credit Facility, the Corporation pays a standby fee on the unused portion of such Credit Facility.

(c) The Senior Debt is repayable in equal, successive, semi-annual installments starting in December 1999. The weighted average interest rate on the Senior Debt outstanding at December 31, 1999 was 7.37% (1998 – 5.87%).

The Project achieved commercial production and passed certain completion tests in 1999. As a result, under the terms of the agreements with the lenders of the Senior Debt, Falconbridge no longer guarantees its proportionate share of the Senior Debt.

(d) Collahuasi has entered into interest rate swap agreements to partially hedge the exposure derived from the timing of LIBOR settings on loans outstanding. As a result of these transactions, at December 31, 1999, interest costs on U.S.$700.0 million (1998 – U.S.$750.0 million) of their total debt were swapped to an average floating rate of 7.37% (1998 – fixed rate of 7.05%). These swap agreements amortize and extend until December 2002. If these positions had been settled at December 31, 1999, Falconbridge would have owed $0.5 million (1998 – owed $2.6 million) on its portion (44%) of these agreements.

(e) The weighted average interest rate on the long-term debt portfolio, including the effect of interest rate swap agreements, at December 31, 1999 was 6.89% (1998 – 6.39%).

(f) Assuming that the Credit Facilities will continue to be renewed, long-term debt will mature as follows:

Year ending December 31,	2000	$ 80,300
	2001	80,300
	2002	80,300
	2003	80,300
	2004	80,300
	thereafter	1,173,547
		$ 1,575,047

(g) At December 31, 1999, the market value of Falconbridge's total debt, excluding the effect of interest rate swap agreements, was $1,542.9 million (1998 – $1,713.4 million).

6. Income and mining taxes

(a) Consolidated income and mining taxes consist of the following:

	YEAR ENDED DECEMBER 31, 1999	1998
Current		
Federal and provincial income taxes	**$ 5,877**	$ 6,197
Provincial mining taxes	**(1,400)**	–
Foreign taxes	**23,718**	9,705
	28,195	15,902
Deferred		
Federal and provincial income taxes	**(14,350)**	(46,474)
Provincial mining taxes	**(732)**	(7,483)
Foreign taxes	**18,429**	(903)
	3,347	(54,860)
	$ 31,542	$ (38,958)

(b) The difference between the amount of the reported consolidated income and mining taxes and the amount computed by multiplying the earnings before taxes by the Corporation's applicable tax rates is reconciled as follows:

	YEAR ENDED DECEMBER 31, 1999	1998
Taxes computed using the Corporation's tax rates*	**$ 79,984**	$ (31,855)
Adjust for –		
Resource and depletion allowances	**(8,969)**	4,843
Mining taxes	**(2,132)**	(7,483)
Foreign tax rates, net (i)	**(52,048)**	(31,874)
Non-claimable expenses	**14,853**	17,334
Non-taxable income	**(6,224)**	(626)
Other	**6,078**	10,703
Income and mining taxes	**$ 31,542**	$ (38,958)
* Federal and provincial income tax rates	**42.62%**	42.62%

(i) The Corporation has non-resident subsidiaries that have undistributed earnings on which no taxes have been provided. These earnings, which amount to approximately U.S.$261.6 million (1998 – U.S.$235.1 million), have been permanently reinvested outside Canada and are used to finance non-Canadian investments, and exploration and development projects.

7. Deferred expenses and other assets

Deferred expenses and other assets consist of the following:

	YEAR ENDED DECEMBER 31, 1999	1998
Deferred pension costs	**$ 80,181**	$ 63,185
Deferred exploration and engineering costs	**32,899**	11,298
Inventories and supplies	**20,157**	–
Employee housing advances	**6,354**	9,468
Debt discount and issue expenses, net	**3,654**	4,244
Portfolio investments	**3,583**	5,418
Other	**10,833**	7,878
	$ 157,661	$ 101,491

8. Share capital

(a) Employee stock option plan

The Corporation has a stock option plan, through which options may be granted to directors, officers and employees for the purchase of common shares. Options were granted at prices equal to the closing market value on the last trading day or period prior to the grant and are exercisable from 5 to 9 years from the date of vesting.

A summary of the status of the stock option plan and changes during the years is presented below:

	1999 OPTIONS (000's)	1999 WEIGHTED-AVERAGE EXERCISE PRICE	1998 OPTIONS (000's)	1998 WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding, beginning of year	**1,932**	**$ 22.36**	1,168	$ 24.69
Granted	**831**	**15.67**	800	18.90
Exercised through the purchase option	**(3)**	**18.50**	–	–
Exercised through the market growth option	**(244)**	**18.54**	–	–
Cancelled	**(70)**	**18.63**	(36)	21.08
Outstanding, end of year	**2,446**	**$ 20.58**	1,932	$ 22.36

The following tables summarize information about the stock options outstanding at December 31, 1999:

OPTIONS OUTSTANDING			
RANGE OF EXERCISE PRICES	NUMBER (000'S) OUTSTANDING AT DEC 31, 1999	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
$15.67 to $18.90	**1,726**	**8.1**	**$ 17.37**
$22.75 to $26.25	**331**	**7.4**	**26.18**
$28.75 to $31.10	**389**	**2.5**	**30.06**
$15.67 to $31.10	**2,446**	**7.1**	**$ 20.58**

OPTIONS EXERCISABLE		
RANGE OF EXERCISE PRICES	NUMBER (000'S) EXERCISABLE AT DEC 31, 1999	WEIGHTED-AVERAGE EXERCISE PRICE
$15.67 to $18.90	**333**	**$ 18.68**
$22.75 to $26.25	**137**	**26.07**
$28.75 to $31.10	**319**	**29.83**
$15.67 to $31.10	**789**	**$ 24.89**

(b) Preferred shares

On March 7, 1997, the Corporation issued 8,000,000 Units, at a price of $10.00 per Unit, with each unit consisting of one Cumulative Preferred Share Series 1 (a "Preferred Share Series 1") and one Cumulative Preferred Share Series 2 Purchase Warrant (a "Warrant"). The Warrants were not separable from the Preferred Share Series 1. Until September 1, 1998, the Preferred Share Series 1 were entitled to fixed cumulative preferential cash dividends of $0.1563 per share ($0.625 per annum),

as and when declared by the board of directors of the Corporation (the "Board of Directors"), which accrued from the date of issue and were payable quarterly on the first day of June, September, December and March in each year. From September 1, 1998, such quarterly dividend was reduced to $0.02 per share. The holders of the Units had the right to acquire on September 1, 1998, December 1, 1998, and March 1, 1999, for each Unit held, one Cumulative Preferred Share Series 2 (a "Preferred Share Series 2") of the Corporation by the combined effect of tendering for conversion one Preferred Share Series 1 and the exercise of one Warrant together with the cash payment of $15.00 per Warrant. During 1999, 442,600 units (1998 – 7,467,565) were converted into Preferred Share Series 2.

Until March 1, 2004, the Preferred Share Series 2 will be entitled to fixed cumulative preferential dividends, as and when declared by the Board of Directors, which will accrue from the date of issue and be payable quarterly on the first day of June, September, December and March in each year in the amount of $0.3672 per share or $1.4688 per share per annum. From March 1, 2004, the Preferred Share Series 2 will be entitled to floating adjustable cumulative preferential cash dividends as and when declared by the Board of Directors.

Holders of Preferred Share Series 2 will have the right to convert their shares into Cumulative Preferred Share Series 3 of the Corporation, subject to certain conditions on March 1, 2004 and every five years thereafter. On March 1, 2004, the Corporation may redeem for cash the Preferred Share Series 2, in whole but not in part, at the Corporation's option, at $25.00 per share plus accrued and unpaid dividends. Subsequent to March 1, 2004, the Corporation may redeem at any time for cash the Preferred Share Series 2, in whole but not in part, at the Corporation's option, at $25.50 per share plus accrued and unpaid dividends.

(c) Earnings and cash flow per common share

Earnings and cash flow per common share have been calculated after deducting preferred share dividends of $11.6 million (1998 – $6.8 million) and have been based on the weighted average number of common shares outstanding during the year of 176,969,500 (1998 – 176,967,900 shares). The inclusion in the computation of earnings and cash flow per share of shares subject to issue under the employee stock option plan (note (a) above) would not have a material impact on such computations.

9. Other long-term liabilities

Other long-term liabilities consist of the following:

		DECEMBER 31, 1999		1998
Future removal and site restoration costs	$	**68,351**	$	60,183
Other		**14,958**		9,515
	$	**83,309**	$	69,698

The business conducted by Falconbridge has been, and may in the future be, affected by changes in environmental legislation and other requirements including those related to future removal and site restoration costs. As Falconbridge operates in many countries, both the likelihood of changes in legislation and its impact upon Falconbridge are not predictable.

Falconbridge's policy is to meet and, if possible, surpass standards set by relevant legislation, through the application of innovative and technically proven economical measures in advance of prescribed deadlines. In addition, Falconbridge incurs substantial removal and site restoration costs on an ongoing basis, which it believes, will minimize future removal and site restoration costs.

The total liability for future site restoration costs in relation to Falconbridge's worldwide operations, which will be incurred primarily after the cessation of operations, is estimated to be approximately $175 million. This estimate is based on information currently available, including preliminary closure plans and alternatives, applicable regulations, planned spending on site restoration and the remaining life of Falconbridge's ore reserves. At December 31, 1999, Falconbridge had provided $68.4 million (1998 – $60.2 million), in addition to ongoing capital and operating expenditures. The remaining balance will be accrued and expensed during the remaining lives of the operations.

In view of the uncertainties concerning future removal and site restoration costs, the ultimate costs to Falconbridge could differ materially from the amounts estimated. The estimate for the future liability is subject to change based on amendments to applicable laws and legislation, the nature of ongoing operations and technological innovations. Future changes, if any, due to their nature and unpredictability, could have a significant impact and would be reflected prospectively, as a change in an accounting estimate.

10. Retirement plans

Falconbridge maintains defined benefit retirement plans providing retirement, death and termination benefits for certain salaried and hourly-rated employees. Pension benefits are calculated based upon length of service and either final average earnings or a specified amount per year of service. Funding and pension plan assets (which consist principally of cash, equity securities and fixed income securities) for the defined benefit plans are primarily governed by the Ontario Pension Benefits Act. Pension benefits provided for

certain employees through group annuity contracts are fully funded. The Kidd Creek Operations and Société minière Raglan du Québec ltéé make monthly contributions on behalf of employees under a defined contribution retirement savings program.

The funded status of Falconbridge's defined benefit plans and differences between amounts expensed and amounts funded are as follows:

	DECEMBER 31, 1999		DECEMBER 31, 1998	
	Plans where assets exceed accumulated benefits	Plans where accumulated benefits exceed assets	Plans where assets exceed accumulated benefits	Plans where accumulated benefits exceed assets
Plan assets at market value	**$ 653,756**	**$ 180,752**	$ 581,082	$ 188,164
Projected benefit obligations	**538,050**	**223,169**	476,586	220,083
Plan assets in excess of (less than) projected benefit obligations	**$ 115,706**	**$ (42,417)**	$ 104,496	$ (31,919)

	ALL PLANS	ALL PLANS
Deferred pension costs, included in deferred expenses and other assets	**$ 80,181**	$ 63,185

The projected benefit obligations were determined using an assumed discount rate of 8% and assumed rates of compensation increase of 6% per annum. The assumed long-term rate of return on plan assets is 8%. The amount by which pension plan assets are in excess of, or less than, projected benefit obligations will be credited, or charged, to pension expense over periods varying from 12 to 14 years.

Pension plan expense of $33.7 million for 1999 (1998 – $29.9 million) includes $9.1 million (1998 – $13.0 million) for defined contribution plans and $24.6 million (1998 – $16.9 million) for defined benefit plans.

11. Related party transactions

At December 31, 1999, Noranda Inc. (Noranda) owned, directly and indirectly, approximately 49.9% of the common shares of the Corporation. Falconbridge has entered into an agreement with a subsidiary of Noranda, whereby it acts as sales agent for all products, other than sulphuric acid and indium, produced at Falconbridge's Kidd Creek Operations. In 1998, Noranda DuPont LLC was formed between E.I. duPont de Nemours and Company, Noranda and Falconbridge to market, transport and distribute sulphuric acid in North America. Falconbridge has entered into an exclusive supply agreement with Noranda DuPont LLC which will purchase and resell all of Falconbridge's output of sulphuric acid. Accounts receivable, in the consolidated statements of financial position, includes $89.9 million (1998 – $65.9 million) receivable from Noranda relating to amounts being collected by Noranda under its agreements with Falconbridge. Falconbridge also has agreements with various other Noranda group companies for the purchase of custom feeds; the toll treatment of copper concentrates, blister copper and refinery slimes; and the sale of metals. The agreements with Noranda group companies are negotiated in the best interest of Falconbridge, on an arms length basis at market terms.

The following table details related party production and marketing transactions:

	YEAR ENDED DECEMBER 31, 1999	1998
Sale of materials to Noranda (a)	**$ 85,566**	$ 99,822
Sale of technology to Noranda (a)	**5,439**	23,289
Purchase of materials from Noranda (b)	**7,205**	5,813
Smelting and refining fees paid to Noranda for treating copper and precious metals bearing materials (b)	**3,209**	4,633
Commissions and agency fees paid to Noranda (c)	**1,470**	2,733
Fees paid to Noranda DuPont LLC (a)	**6,725**	–
Research and development fees paid to Noranda (b)	**1,461**	574
Other (a), (d)	**4,319**	221

Included in the Corporation's Consolidated Financial Statements in (a) Revenues; (b) Cost of metal and other product sales; (c) Selling, general and administrative expenses; (d) Interest and other (income)/expenses, net.

12. Segmented data

Falconbridge operates in one industry – mining, processing and marketing of mineral products. These activities are conducted through five segments – the Integrated Nickel Operations (INO), Kidd Creek, Falcondo, Collahuasi and Corporate. The INO includes the accounts of the Corporation and all of its wholly owned subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of metals mainly derived from Sudbury and Raglan nickel/copper ores and its custom feed business. Kidd Creek includes the mining, milling, smelting and refining of its own copper/zinc ores and its custom feed business. Falcondo mines, mills, smelts and refines its own nickel laterite ores. Collahuasi is a copper project, in which Falconbridge owns 44%. Corporate includes general and administrative expenditures, exploration and research and development expenditures, foreign exchange gains and losses and other expenses.

The accounting policies used by these segments are the same as those described in the summary of significant accounting policies in note l. Any sales and transfers between the segments are accounted for as if the sales or transfers were to third parties, that is, at current market prices. During the preparation of the internal financial statements the transfers between segments are eliminated.

As the products and services in each of the reportable segments, except for Corporate, are essentially the same, the reportable segments have been selected at the level where decisions are made on the provision of resources, capital and where complete financial statements are available. For operations forming part of a reportable segment, performance is measured based on production targets, operating costs incurred and unit operating costs.

(a) Segmented information:

(MILLIONS)		INO		KIDD CREEK		FALCONDO		COLLAHUASI		CORPORATE		TOTAL
YEAR ENDED DECEMBER 31, 1999												
Ownership		**(100%)**		**(100%)**		**(85.26%)**		**(44%)**		**(100%)**		
Revenues (a)	**$**	**1,116**	**$**	**497**	**$**	**208**	**$**	**352**	**$**	**–**	**$**	**2,173**
Operating income (loss)		**130**		**32**		**47**		**146**		**(98)**		**257**
Interest income (b)		**–**		**–**		**2**		**(15)**		**21**		**8**
Interest expense (b)		**–**		**–**		**–**		**58**		**59**		**117**
Depreciation, depletion and amortization		**145**		**71**		**11**		**66**		**–**		**293**
Property, plant & equipment		**1,433**		**816**		**83**		**1,328**		**6**		**3,666**
Capital expenditures		**68**		**36**		**15**		**23**		**6**		**148**
YEAR ENDED DECEMBER 31, 1998												
Ownership		(100%)		(100%)		(85.26%)		(44%)		(100%)		
Revenues (a)	$	911	$	561	$	202		–		–	$	1,674
Operating income (loss)		9		57		15		–		(101)		(20)
Interest income (b)		–		–		3		–		8		11
Interest expense (b)		–		–		–		–		66		66
Depreciation, depletion and amortization		114		71		10		–		–		195
Property, plant & equipment		1,508		852		83		1,486		3		3,932
Capital expenditures		136		52		20		435		4		647
Principal base of operations		Canada		Canada		Dominican Republic		Chile		Canada		

(a) Inter-segment sales are eliminated during the preparation of the internal financial statements
(b) Interest income and expense are not allocated between INO, Kidd Creek and Corporate in the preparation of the internal financial statements

(b) Identifiable assets by geographic location are as follows:

	TOTAL ASSETS		PROPERTY, PLANT AND EQUIPMENT	
	YEAR ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
(MILLIONS)	1999	1998	1999	1998
Canada	**$ 2,597**	$ 2,626	**$ 2,049**	$ 2,159
Chile	**1,441**	1,524	**1,299**	1,456
Barbados	**88**	86	**1**	2
Norway	**238**	243	**228**	230
Dominican Republic	**225**	210	**83**	83
Other	**148**	110	**6**	2
	$ 4,737	$ 4,799	**$ 3,666**	$ 3,932

(c) Consolidated sales revenues:
(i) By geographic location of customers:

	YEAR ENDED DECEMBER 31,			
	1999		1998	
(MILLIONS)	AMOUNT	%	AMOUNT	%
Europe	**$ 777**	**36**	$ 496	30
U.S.	**746**	**34**	709	42
Other	**412**	**19**	230	14
Total foreign*	**1,935**	**89**	1,435	86
Canada	**238**	**11**	239	14
	$ 2,173	**100**	$ 1,674	100
* Includes sales by Canadian operations to foreign customers	**$ 1,150**		$ 899	

(ii) By product category:

	YEAR ENDED DECEMBER 31,			
	1999		1998	
(MILLIONS)	AMOUNT	%	AMOUNT	%
Nickel	**$ 686**	**31**	$ 492	30
Ferronickel	**208**	**9**	202	12
Copper	**733**	**34**	436	26
Cobalt	**170**	**8**	220	13
Zinc	**237**	**11**	238	14
Silver	**34**	**2**	39	3
Gold	**13**	**1**	24	1
Other	**92**	**4**	23	1
	$ 2,173	**100**	$ 1,674	100

13. Interest and other (income)/expenses, net

Interest and other (income)/expenses, net, includes the following:

	YEAR ENDED DECEMBER 31,	
	1999	1998
Gain on metal positions	**$ (46,283)**	$ (3,295)
Interest income	**(7,996)**	(10,594)
Foreign exchange	**3,133**	1,954
Other	**3,811**	559
	$ (47,335)	$ (11,376)

14. Financial Instruments

The Corporation's Board of Directors approved a financial risk management policy addressing the philosophy, implementation and control of financial risk management and investment activities. Falconbridge manages its exposures by entering into

contractual arrangements (derivatives) which reduce (hedge) the exposures by creating an offsetting position.

Falconbridge has significant investments in foreign domiciled operations, which, consistent with the financial risk management policy, are partially hedged by issuing debt in the same currency as the investment, and by entering into forward exchange and option contracts. At December 31, 1999, Falconbridge had outstanding foreign currency forward contracts relating to these exposures to sell a notional amount of U.S.$190.0 million, with maturity dates through April 2000 at an average exchange rate of Cdn$1.475 (1998 – U.S.$135.0 million at Cdn$1.539). If these contracts had been settled at December 31, 1999, Falconbridge would have been owed $6.4 million (1998 – been owed $1.2 million). At December 31, 1999, Falconbridge also has foreign currency forward contracts to sell U.S.$12.3 million (1998 – U.S.$9.0 million) for Chilean pesos to hedge certain expenditures associated with its Chilean operations for periods extending through December 2000. If these contracts had been settled at December 31, 1999, Falconbridge would have been owed $0.1 million (1998 – owed $0.3 million).

Falconbridge's sales are denominated primarily in U.S. dollars and to a lesser extent in Sterling, Yen and other foreign currencies, and it incurs expenses that are denominated in foreign currencies, which expose it to increased volatility in earnings due to fluctuations in foreign exchange rates. Falconbridge uses foreign currency forward exchange contracts and options to reduce these exposures by creating an offsetting position. The Corporation has foreign currency exchange contracts, designated as a hedge of its U.S. dollar sales revenue, to sell U.S.$455.0 million maturing over the next 13 months at an average exchange rate of Cdn$1.500 (1998 – U.S.$510.0 million at Cdn$1.479). In addition, the Corporation also has option contracts that if exercised, would result in additional sales of U.S.$65.0 million over the next 5 months (1998 – U.S.$45.0 million). If these contracts had been settled at December 31, 1999, the Corporation would have been owed $27.1 million (1998 – owed $28.7 million). The Corporation has foreign currency exchange contracts, designated as a hedge of its Norwegian Kroner expenditures, to purchase 60.0 million Norwegian Kroner over the next 4 months at an average exchange rate of Cdn$0.1833 (1998 – 60.0 million Norwegian Kroner at Cdn$0.2033). In addition, the Corporation also has option contracts that if exercised, would result in additional purchases of 120.0 million Norwegian Kroner over the next 10 months (1998 – 105.0 million Norwegian Kroner). If these contracts had been settled at December 31, 1999, the Corporation would have owed $0.5 million (1998 – owed $0.1 million).

Falconbridge's risk management policy provides for the limited use of financial instruments for discretionary trading purposes. However, Falconbridge normally does not acquire, hold or issue derivative financial instruments for trading purposes.

The fair value of Falconbridge's primary financial instruments, including cash and cash equivalents, accounts and metals settlements receivable, and accounts payable and accrued charges approximates their carrying value due to the short-term nature of these instruments. The fair value of the long-term debt and interest rate swaps is disclosed in note 5.

Falconbridge does not consider the credit risk associated with its financial instruments to be significant. Foreign currency and interest rate swap contracts are maintained with high quality counterparties and Falconbridge does not anticipate that any counterparties will fail to meet their obligation. Falconbridge does not have significant exposure to any individual customer and these risks are further managed through a highly effective credit management program. Falconbridge's policy is to enter into short-term investments in high quality debt obligations.

Falconbridge is exposed to interest rate risk as a result of its issuance of debt. Falconbridge reduces its borrowing costs and hedges its exposure to interest rate risk through the use of interest rate swaps and interest rate swap options, the details of which are disclosed in note 5.

15. Commitments and contingencies

(a) The Corporation has received an exemption granted by the Ontario government, until December 31, 2009, from a requirement to refine in Canada ores mined from certain properties of the Corporation in Ontario. This exemption is limited to the quantity of nickel-copper matte capable of yielding not more than 100,000,000 pounds of refined nickel per year.

(b) The Year 2000 Issue arose because many computerized systems use two digits rather than four to identify the year. Date sensitive systems may recognize year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect Falconbridge, including those related to customers, suppliers, or other third parties, have been fully resolved.

(c) Falconbridge is involved in various legal actions in the course of business. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse affect on Falconbridge's financial position or results.

16. Comparative amounts

Certain of the comparative figures have been restated to conform to the current year's presentation.

17. Subsequent events

On February 2, 2000, the Board of Directors of the Corporation declared dividends of 10¢ per common share payable February 28, 2000 to shareholders of record February 14, 2000. Preferred share dividends of 2¢ per preferred share series 1 payable on March 1, 2000 to shareholders of record February 16, 2000 and 36.72¢ per preferred share series 2 payable on March 1, 2000 to shareholders of record February 16, 2000 were also declared on February 2, 2000.

Ten-Year Review

(UNAUDITED)		1999	1998	1997
Revenues and earnings (loss) ($ THOUSANDS, EXCEPT PER SHARE DATA)				
Revenues		**2,173,479**	1,673,756	2,092,597
Operating income (loss)		**257,201**	(20,000)	254,464
Earnings (loss) for the year		**153,097**	(36,398)	137,047
– per common share (notes 1,2)		**0.80**	(0.24)	0.75
Earnings (loss) contributions ($ THOUSANDS)				
Principal operations –				
Integrated Nickel Operations (INO)		**130,022**	9,267	184,014
Kidd Creek Operations		**32,278**	56,687	91,170
Corporate costs, net –				
Interest, net		**(38,085)**	(58,518)	(38,649)
Other (notes 3,4)		**(47,390)**	(95,083)	(103,474)
Income and mining taxes (expense) / credit		**6,454**	45,700	(32,316)
Principal operations contribution (loss)		**83,279**	(41,947)	100,745
Falconbridge Dominicana, C. por A.		**17,781**	5,549	36,302
Collahuasi		**52,037**	–	–
Other (note 5)		–	–	–
Earnings (loss)		**153,097**	(36,398)	137,047
Dividends on preferred shares		**11,621**	6,803	4,125
Earnings (loss) attributable to common shares		**141,476**	(43,201)	132,922
Financial position and shareholders' data ($ THOUSANDS, EXCEPT PER SHARE DATA)				
Total assets		**4,737,044**	4,798,741	4,313,907
Working capital		**527,139**	425,434	479,085
Property, plant and equipment, net		**3,665,656**	3,931,841	3,398,993
Long-term debt		**1,575,047**	1,725,639	1,136,363
Shareholders' equity		**2,394,876**	2,318,040	2,320,015
– per common share		**12.41**	12.01	12.66
Dividends per common share		**0.40**	0.40	0.40
Number of common shares issued at end of year (THOUSANDS)		**176,971**	176,968	176,968
Exploration, research and process development ($ THOUSANDS)				
Exploration		**34,654**	38,648	42,386
Research and process development		**14,435**	14,480	13,651
Cash flow and capital expenditures ($ THOUSANDS)				
Cash provided by (used in)	– operating activities	**349,053**	176,926	391,775
	– financing activities	**(127,539)**	542,094	455,571
	– investing activities	**(219,834)**	(748,917)	(1,034,459)
Cash provided (used) during the year		**1,680**	(29,897)	(187,113)
Net cash position, end of year		**101,485**	99,805	129,702
Capital expenditures	– Sudbury Division	**40,457**	65,587	109,197
	– Raglan project (note 6)	**12,025**	30,528	225,546
	– Nikkelverk refinery	**13,698**	36,459	71,335
	– Kidd Creek Operations	**36,191**	52,406	56,498
	– Collahuasi project	**23,357**	434,855	521,854
	– Consolidated total	**148,086**	647,256	1,023,962
Metal sales (TONNES, EXCEPT PRECIOUS METAL REVENUES AND SILVER)				
INO (note 7)	– Nickel	**75,000**	69,570	68,073
	– Copper	**66,482**	63,757	69,142
	– Cobalt	**3,529**	3,483	3,204
	– Precious metal revenues ($ thousands)	**111,009**	82,194	63,615
Kidd Creek Operations (note 7)	– Zinc (including metal in concentrate)	**135,219**	142,753	128,029
	– Copper (including metal in concentrate)	**92,145**	109,492	102,087
	– Silver (thousands of ounces)	**3,473**	4,143	2,512
Collahuasi	– Copper (including metal in concentrate)	**175,015**	–	–
Nickel in ferronickel		**22,597**	28,053	32,425
Number of employees		**6,377**	6,654	6,833

NOTES:
1. See note 8(c) to the consolidated financial statements.
2. Prior to 1994 the number of shares outstanding is based on the amount outstanding prior to the 1994 Initial Public Offering.
3. Other corporate costs include general and administrative and exploration expenditures, foreign exchange gains or losses on U.S. dollar debt, and other sundry expenses.
4. The 1996 amount includes the recognition of net proceeds from Diamond Fields Resources Inc. due to the non-completion of the proposed merger ($86.2 million), a dilution gain on the issue of shares by Collahuasi ($36.1 million), and other provisions ($14.0 million).

1996	1995	1994	1993	1992	1991	1990
2,145,003	2,323,608	1,960,335	1,432,953	1,650,780	1,745,338	2,032,483
327,246	571,834	348,115	67,281	263,962	242,418	524,061
247,926	333,222	131,252	(44,462)	74,694	71,069	190,250
1.40	1.89	0.94	(0.44)	0.75	0.71	1.90
252,228	344,123	250,603	69,930	132,385	204,056	251,271
64,216	160,201	78,209	9,713	125,963	78,905	229,555
(21,404)	(13,314)	(53,033)	(85,049)	(104,859)	(151,941)	(241,126)
(1,002)	(105,534)	(119,636)	(91,808)	(93,678)	(93,729)	(20,469)
(93,878)	(118,693)	(61,555)	32,694	(10,751)	2,485	(73,218)
200,160	266,783	94,588	(64,520)	49,060	39,776	146,013
47,766	66,572	36,806	19,631	26,052	30,027	39,777
–	–	–	–	–	–	–
–	(133)	(142)	427	(418)	1,266	4,460
247,926	333,222	131,252	(44,462)	74,694	71,069	190,250
–	–	–	–	–	–	–
247,926	333,222	131,252	(44,462)	74,694	71,069	190,250
3,595,248	3,309,130	2,901,903	2,536,939	2,764,733	2,768,679	3,316,708
696,470	928,805	640,903	153,157	329,068	384,536	555,898
2,535,308	2,068,060	1,850,222	1,911,040	1,986,733	1,989,635	1,969,463
636,809	619,801	473,389	1,627,466	1,765,360	1,839,147	2,504,690
2,180,843	2,001,849	1,732,602	240,792	285,052	204,453	133,385
12.32	11.32	9.82	–	–	–	–
0.40	0.40	–	–	–	–	–
176,946	176,848	176,487	100,000	100,000	100,000	100,000
49,424	38,686	30,529	23,600	34,434	50,068	52,879
10,926	10,860	10,533	8,780	11,091	11,499	12,375
540,377	554,230	329,044	188,149	306,891	226,267	273,078
(69,739)	(16,980)	48,007	(188,698)	(165,479)	(35,550)	90,192
(618,089)	(380,532)	(101,332)	(75,968)	(159,655)	(228,302)	(127,018)
(147,451)	156,718	275,719	(76,517)	(18,243)	(37,585)	236,252
316,815	464,266	307,548	31,829	108,346	126,589	164,174
105,577	70,095	40,113	25,046	80,366	109,016	113,170
253,432	79,566	2,499	3,007	11,376	27,615	9,914
35,783	14,606	16,606	4,928	16,372	18,495	17,487
50,335	40,185	19,534	32,064	36,745	52,960	74,464
212,273	33,634	15,376	13,116	6,786	–	–
686,404	251,017	102,441	85,606	157,599	220,911	232,837
70,172	60,752	67,635	59,876	54,173	54,762	56,300
70,193	67,247	74,374	58,794	52,968	58,046	55,948
3,011	2,571	2,829	2,110	1,914	1,986	1,929
51,250	82,758	74,418	49,929	42,673	68,085	71,474
140,017	140,302	145,924	145,218	143,394	160,988	172,157
91,173	92,267	99,983	117,301	131,024	132,309	132,356
3,925	3,743	3,414	3,962	4,308	5,546	5,359
–	–	–	–	–	–	–
30,600	30,410	32,110	26,679	25,179	27,639	29,630
6,574	6,337	6,302	6,519	8,115	8,510	8,914

5. Relates to operations sold in prior years.
6. After deducting government grants and refundable credits on Quebec mining duties of $8,000,000, $7,024,000, $3,322,000, $5,885,000 and $6,959,000 in 1998, 1997, 1996, 1995 and 1994, respectively.
7. Includes metals refined and sold as agent and metals purchased for resale.

Consolidated Results – 1999 and 1998 by Quarters

(UNAUDITED)	1ST QTR.	2ND QTR.	1999 3RD QTR.
Operations (THOUSANDS, EXCEPT PER SHARE DATA)			
Revenues	$ 437,769	$ 529,356	$ 544,950
Operating expenses			
Costs of metal and other product sales	334,322	362,716	366,103
Selling, general and administrative	24,876	27,717	24,253
Development and preproduction	20,409	18,961	19,938
Depreciation and depletion	52,578	54,019	55,299
Exploration	6,485	8,382	12,165
Research and process development	3,347	3,407	3,318
	442,017	475,202	481,076
Operating income (loss)	(4,248)	54,154	63,874
Interest on long-term debt and debt expense	29,393	27,785	29,969
Interest on short-term debt	–	–	–
Interest and other (income)/expenses, net	(12,458)	(12,856)	(11,808)
	16,935	14,929	18,161
Earnings (loss) before taxes and non-controlling interest	(21,183)	39,225	45,713
Income and mining taxes	(12,188)	7,499	7,793
Non-controlling interest in earnings of subsidiaries	(732)	845	1,343
Earnings (loss) for the period	(8,263)	30,881	36,577
Dividends on preferred shares	2,828	2,931	2,931
Earnings (loss) attributable to common shares	$ (11,091)	$ 27,950	$ 33,646
Earnings (loss) per common share (note 1)	$ (0.06)	$ 0.16	$ 0.19
Weighted average number of shares outstanding (THOUSANDS)	176,968	176,969	176,971
Earnings (loss) contributions (THOUSANDS)			
Principal operations –			
Integrated Nickel Operations (INO)	$ (5,551)	$ 19,468	$ 31,449
Kidd Creek Operations	3,926	18,786	(5,105)
Corporate costs, net –			
Interest, net	(9,259)	(9,152)	(10,340)
Other (note 2)	(11,889)	(10,582)	(13,338)
Income and mining taxes (expense)	11,078	1,821	9,991
Principal operations contribution	(11,695)	20,341	12,657
Falconbridge Dominicana, C. por A.	(4,236)	4,890	7,768
Collahuasi	7,668	5,650	16,152
Earnings (loss) for the period	(8,263)	30,881	36,577
Dividends on preferred shares	2,828	2,931	2,931
Earnings (loss) attributable to common shares	$ (11,091)	$ 27,950	$ 33,646
Earnings (loss) per common share (note 1)	$ (0.06)	$ 0.16	$ 0.19
Metal sales (TONNES, EXCEPT PRECIOUS METAL REVENUES AND SILVER)			
INO – Nickel	18,335	19,192	16,969
– Copper	18,010	16,533	13,002
– Precious metal revenues (thousands)	$ 24,518	$ 24,610	$ 32,471
Kidd Creek – Zinc (including metal in concentrate)	38,104	35,678	27,335
– Copper (including metal in concentrate)	24,661	28,037	19,251
– Silver (thousands of ounces)	810	1,143	1,023
Nickel in ferronickel	1,119	6,494	7,493
Collahuasi – Copper (including metal in concentrate)	41,886	45,864	43,654
Average prices realized (U.S.$ PER POUND, EXCEPT SILVER)			
Nickel	$ 2.13	$ 2.44	$ 2.91
Ferronickel	1.97	2.38	2.71
Copper	0.64	0.70	0.80
Zinc	0.50	0.52	0.56
Silver (per ounce)	5.30	5.26	5.25
Exchange rate before hedge (US$1=Cdn$)	$ 1.51	$ 1.48	$ 1.49
Exchange rate after hedge (US$1=Cdn$)	$ 1.48	$ 1.47	$ 1.48

NOTES:
1. See note 8(c) to the consolidated financial statements.
2. Other corporate costs include general and administrative and exploration expenditures, foreign exchange gains or losses on U.S. dollar debt and other expenses.

				1998		
4TH QTR.	YEAR	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	YEAR
$ 661,404	$ 2,173,479	$ 443,209	$ 443,548	$ 410,379	$ 376,620	$ 1,673,756
406,383	1,469,524	351,171	350,978	332,359	324,679	1,359,187
27,727	104,573	23,591	22,796	22,176	17,546	86,109
22,185	81,493	11,311	11,562	11,507	14,075	48,455
49,703	211,599	35,682	35,203	36,087	39,905	146,877
7,622	34,654	7,491	10,627	10,658	9,872	38,648
4,363	14,435	3,774	2,736	3,248	4,722	14,480
517,983	1,916,278	433,020	433,902	416,035	410,799	1,693,756
143,421	257,201	10,189	9,646	(5,656)	(34,179)	(20,000)
29,676	116,823	14,024	13,495	13,221	12,289	53,029
–	–	1,170	3,790	4,014	3,770	12,744
(10,213)	(47,335)	(2,439)	(4,031)	829	(5,735)	(11,376)
19,463	69,488	12,755	13,254	18,064	10,324	54,397
123,958	187,713	(2,566)	(3,608)	(23,720)	(44,503)	(74,397)
28,438	31,542	(5,181)	(3,161)	(12,881)	(17,735)	(38,958)
1,618	3,074	463	797	(299)	(2)	959
93,902	153,097	2,152	(1,244)	(10,540)	(26,766)	(36,398)
2,931	11,621	1,261	1,261	1,679	2,602	6,803
$ 90,971	$ 141,476	$ 891	$ (2,505)	$ (12,219)	$ (29,368)	$ (43,201)
$ 0.51	$ 0.80	$ 0.01	$ (0.02)	$ (0.07)	$ (0.16)	$ (0.24)
176,971	176,969	176,968	176,968	176,968	176,968	176,968
$ 84,656	$ 130,022	$ 11,815	$ 9,454	$ 3,464	$ (15,466)	$ 9,267
14,671	32,278	13,238	14,295	17,074	12,080	56,687
(9,334)	(38,085)	(12,418)	(14,991)	(15,842)	(15,267)	(58,518)
(11,581)	(47,390)	(21,508)	(23,314)	(27,471)	(22,790)	(95,083)
(16,436)	6,454	8,350	8,701	13,964	14,685	45,700
61,976	83,279	(523)	(5,855)	(8,811)	(26,758)	(41,947)
9,359	17,781	2,675	4,611	(1,729)	(8)	5,549
22,567	52,037	–	–	–	–	–
93,902	153,097	2,152	(1,244)	(10,540)	(26,766)	(36,398)
2,931	11,621	1,261	1,261	1,679	2,602	6,803
$ 90,971	$ 141,476	$ 891	$ (2,505)	$ (12,219)	$ (29,368)	$ (43,201)
$ 0.51	$ 0.80	$ 0.01	$ (0.02)	$ (0.07)	$ (0.16)	$ (0.24)
20,504	75,000	15,956	17,440	17,599	18,575	69,570
18,937	66,482	16,594	15,194	17,272	14,697	63,757
$ 29,410	$ 111,009	$ 16,881	$ 22,228	$ 18,861	$ 24,224	$ 82,194
34,102	135,219	34,748	34,774	37,900	35,331	142,753
20,196	92,145	32,304	25,191	25,295	26,702	109,492
497	3,473	1,019	1,172	837	1,115	4,143
7,491	22,597	7,305	8,226	7,364	5,158	28,053
43,611	175,015	–	–	–	–	–
$ 3.57	$ 2.78	$ 2.62	$ 2.43	$ 2.01	$ 1.91	$ 2.23
3.42	2.81	2.56	2.39	1.97	1.85	2.23
0.82	0.74	0.79	0.79	0.77	0.74	0.77
0.58	0.54	0.52	0.52	0.51	0.48	0.51
5.67	5.34	6.19	5.71	5.24	5.05	5.54
$ 1.47	$ 1.49	$ 1.43	$ 1.44	$ 1.52	$ 1.53	$ 1.48
$ 1.48	$ 1.48	$ 1.38	$ 1.39	$ 1.44	$ 1.48	$ 1.42

Corporate Governance Practices

Introduction

Falconbridge Limited's Board of Directors believes that effective corporate governance contributes to improved corporate performance and enhanced shareholder value. The governance of the Corporation is the responsibility of Falconbridge's Board of Directors and six committees of the Board; the Audit Committee, the Corporate Governance and Nominating Committee, the Environmental Committee, the Human Resources and Compensation Committee, the Independent Directors' Committee, and the Pension Investment Committee.

Board Mandate

The Board is responsible for supervising the management of the business and affairs of Falconbridge and to act with a view to the best interests of the Corporation.

The Board assumes the following stewardship responsibilities: the adoption of a strategic planning and budgeting process; the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks; succession planning, including appointing, training and monitoring senior management; a communications policy for the Corporation; and, the integrity of the Corporation's internal control and management information systems.

Shareholder Feedback

The Board believes that management should speak for the Corporation in its communications with shareholders and others in the investment community through appropriate investor relations programs and procedures. Falconbridge has established an investor relations department and management meets regularly with shareholders and others in the investment community to receive and respond to shareholder feedback. The Board reviews Falconbridge's major communications with shareholders and the public including quarterly press releases, the annual management information circular and the annual report.

Expectations of Management

The Board believes that management is responsible for the development of long-term strategies for the Corporation. It is the Board's view that Falconbridge's approach to corporate governance is comprehensive, progressive and consistent with the high standards subscribed to by the Toronto Stock Exchange. The Board of Directors will continue to critically assess its governance systems as part of its commitment to ensuring effective corporate governance at Falconbridge.

Falconbridge's full statement of corporate governance practices can be found in the 1999 Management Information Circular. For a copy, contact our Corporate Secretary's department at (416) 956-5741.

Board of Directors

Alex Balogh,
Chairman of the Board, Falconbridge Limited. Deputy Chairman, Noranda Inc. Corporate Director. Appointed 1989. *2, 4*

David Bumstead,
Executive Vice President, Corporate Development, Noranda Inc. Appointed 1989. *1, 3, 6*

Jack Cockwell,
President and Chief Executive Officer, EdperBrascan Corporation. Appointed 1995. *4*

David Goldman,
Executive Vice President and Chief Operating Officer, Noranda Inc. Appointed 1998. *3, 6*

Øyvind Hushovd,
President and Chief Executive Officer, Falconbridge Limited. Appointed 1996. *7*

David Kerr,
President and Chief Executive Officer, Noranda Inc. Appointed 1989. *2, 4*

Edmund King,
Deputy Chairman, McCarvill Corporation. Appointed 1994. *2, 5, 6*

Neville Kirchmann,
President and Chief Executive Officer, The Princess Margaret Hospital Foundation. Appointed 1997. *1, 4, 5*

Mary Mogford,
Corporate Director and Partner, Mogford Campbell Associates Inc. Appointed 1995. *1, 3, 5*

David Race,
Corporate Director. Appointed 1994. *1, 3, 5*

1 Audit Committee
2 Corporate Governance and Nominating Committee
3 Environmental Committee
4 Human Resources and Compensation Committee
5 Independent Directors' Committee
6 Pension Investment Committee
7 Ex-officio non-voting member on all committees

Corporate Directory

Falconbridge Limited
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M5J 2V4
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Fax: (416) 956-5757

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Toshiaki Oiwa, President

Falconbridge U.S. Inc.
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James Moore, President

Custom Feed

Falconbridge International Limited
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Fax: (246) 435-9978
Donald Sanderson, President

Falconbridge International S.A.
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Box 2
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Telephone: (32-2) 401-8330
Fax: (32-2) 401-8331
Michael McSorley, Chairman

Operating Divisions and Subsidiaries

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P0M 2R0
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Allen Hayward
Vice President
& General Manager

Sudbury Smelter
Falconbridge, Ontario
P0M 1S0
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Fax: (705) 699-3932
Brent Chertow
Vice President
& General Manager

Kidd Metallurgical Division
Postal Bag 2002
Timmins, Ontario P4N 7K1
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Fax: (705) 235-7318
Claude Ferron
General Manager

Kidd Mining Division
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Timmins, Ontario P4N 7K1
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Fax: (705) 267-8709
Dan Gignac
General Manager

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Edward Henriksen,
Managing Director

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Enrique Lithgow
President & General Manager

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Al Giroux
Vice President, Operations

Exploration Offices

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James Robertson
Regional Exploration Manager,
Western North America

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Canadian Nickel Operations

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Timmins Region

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Greenland

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Roger Billington
Manager, Laterite Exploration

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John Blaine,
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Manager, Africa

Corporate Directory

Falconbridge East Limited
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Andre Sliouniaev,
Regional Geologist

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Fax: 55 (21) 253-6471
Paul Nagerl, Regional
Geologist

Subsidiaries, Project Offices and Associated Companies

Compañia Minera Doña Inés
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Diego Hernandez, Chief
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Michel Dufresne,
General Manager

Falconbridge Nouvelle
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Nouvelle Caledonie
Telephone: (687) 246-040
Fax: (687) 246-049
Bruce Dumville
Project Director

Officers and Senior Management

Alex Balogh
Chairman of the Board

Øyvind Hushovd
President &
Chief Executive Officer

Lars-Eric Johansson
Senior Vice President &
Chief Financial Officer

Warren Holmes
Senior Vice President
Canadian Mine Operations

Brent Chertow
Vice President &
General Manager
Sudbury Smelter

Michel Dufresne
General Manager
Falconbridge Chile S.A.

Claude Ferron
General Manager
Kidd Metallurgical Division

Dan Gignac
General Manager
Kidd Mining Division

Anthony Hannaford
Vice President
Metallurgical Technology

Allen Hayward
Vice President &
General Manager
Sudbury Mines/Mill

Edward Henriksen
Managing Director
Falconbridge Nikkelverk A/S

John Keenan
Vice President
Human Resources

Joseph Laezza
Vice President
Marketing, Sales &
Custom Materials

Enrique Lithgow
President & General Manager
Falconbridge Dominicana,
C. por A.

Michael McSorley
Chairman
Falconbridge
International S.A.

Thomas Pugsley
Vice President
Projects & Engineering

Paul Severin
Vice President
Exploration

Jeffery Snow
Vice President
Legal

Robert Telewiak
Vice President
Environment

Michael Young
Vice President
Business Development

Robert Burrow
Controller

Dean Chambers
Treasurer

George Gordon
Secretary & Assistant
General Counsel

Patrice Lafrance
Assistant Secretary

Lloyd Dunham
Director
Information Systems

After 33 years with Falconbridge, Erling Stensholt retired in December 1999 as Managing Director of Falconbridge Nikkelverk A/S. We gratefully acknowledge his contribution to the Corporation.

Shareholder Information

Stock Exchange Listing
Toronto, Trade Symbol: FL (Common Shares), FL.PR.A (Preferred Shares Series 2)

Index Listing
TSE 60, TSE 300, TSE Metals & Minerals Index

Outstanding shares (millions)
December 31, 1999

Common Shares	177.0
Preferred Shares Series 1	0.1
Preferred Shares Series 2	7.9

Annual Dividend Per Share

Common Shares	40¢
Preferred Shares Series 1	8¢
Preferred Shares Series 2	$1.4688

Corporate Dividend Policy
Falconbridge views common share dividends as an important part of a shareholder's return on investment. As a result, it tries to pay a common share dividend at all points of the economic cycle, as long as the payment does not impair the Corporation's financial position. It is expected that the common share dividend will increase or decrease to reflect the Corporation's operating results and financial position.

The preferred shares of each series issued by the Corporation rank in priority to the common shares with respect to the payment of dividends.

Auditors
Deloitte & Touche LLP
Toronto, Ontario

Annual Meeting
The annual meeting of the shareholders will be held on April 18, 2000 at the Design Exchange, Trading Floor, 234 Bay Street, Toronto at 11 a.m.

Shareholder Inquiries
For information regarding dividend cheques, share certificates, stock transfers etc., please contact:
Montreal Trust Company
Telephone: 1-800-663-9097
or (416) 981-9633
Fax: (416) 981-6800

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General and Media Inquiries
Caroline Casselman
Director, Communications & Public Affairs
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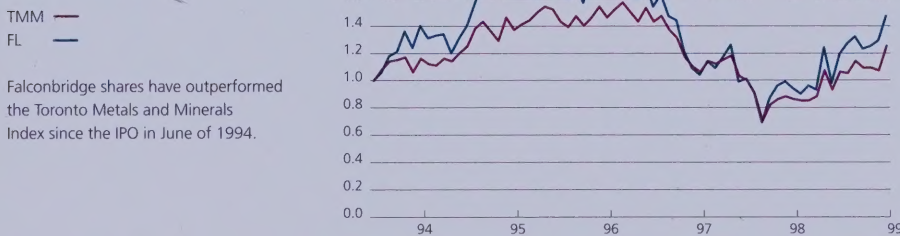
Index of TSE Metals and Minerals (TMM) vs. Falconbridge Limited (FL)

Index of TSE Metals and Minerals (TMM) vs. Falconbridge Limited (FL)



Falconbridge shares have outperformed the Toronto Metals and Minerals Index since the IPO in June of 1994.

Falconbridge is on the world-wide web. We encourage you to browse our site to learn more about Falconbridge and the mining industry. Log on at www.falconbridge.com

Version française
La version française du rapport annuel sera fournie sur demande.

Share Trading Information

TORONTO STOCK EXCHANGE FL.TO

	Quarter	Common Share Volume (millions)	High	Low
1999	First	22	$ 19.50	$ 14.75
	Second	25	22.35	15.50
	Third	16	25.50	20.50
	Fourth	13	26.30	20.00
1998	First	22	$ 22.00	$ 15.00
	Second	24	23.15	15.55
	Third	15	17.75	11.25
	Fourth	14	19.50	14.50

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